

# Current History

A WORLD AFFAIRS MONTHLY

MARCH, 1975

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# Current History

MARCH, 1975

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*In this issue, eight articles discuss current economic and political developments in West Europe. Our introductory article reviews the effects of the oil crisis on the European community and concludes that "... it was evident that the European Community was playing a passive role in world energy politics; at the end of the year [1974], there was no indication that the essentially academic and bureaucratic activities in Brussels might develop into political action."*

## Europe and the Oil Crisis

BY PETER STINGELIN

*Associate Professor of History, Wilfrid Laurier University*

EUROPEAN INTEGRATION, as it developed in the 1950's and 1960's, was a bold attempt to reconstruct West Europe as an economic union and eventually as "*une union plus étroite entre les peuples européens*" (Treaty of Rome) or even as a kind of "United States of Europe" (Winston Churchill). The European Coal and Steel Community (ECSC) provided the legal and administrative framework for a common market and a common social policy in the coal and steel sectors. Five years later, the Rome Treaties, signed in 1957, marked the beginning of the European Economic Community (EEC) and of the much less successful European Atomic Energy Community (Euratom). In spite of setbacks and crises, the 1960's were a decade of progress for the EEC. Internal tariffs disappeared earlier than scheduled; the Common Customs Tariff (CCT) turned the Common Market into a customs union; the Common Agricultural Policy (CAP), prescribed by the treaty explicitly, met an essential French condition and was the pride of the Eurocrats as long as the international monetary system was stable.

The devaluation of the French franc and the revaluation of the German mark in the fall of 1969 were the first monetary shocks that disturbed the delicate balance of the CAP, with its common price level expressed in "units of account" ("Green Dollars"). A network of commercial treaties, notably the Yaoundé Conventions admitting 18 former African colonies to the status of associates of the EEC, gave proof of extensive growth. When the commission negotiated for the six member states collectively during the Kennedy Round, it anticipated the com-

mon commercial policy before the transition period of 12 years was over. These are impressive results; nonetheless, the indispensable step of monetary unification does not seem to be possible in the current decade.

Apart from the Community's failure to complete the program of economic integration and to move toward political unification, it was even difficult to prevent occasional regressive developments. The petroleum crisis of 1973-1974 dramatically increased the danger of actual disintegration. Since oil imports are usually paid for some three months after the oil is "lifted" in the producer countries, the first payments on prices posted at the end of 1973 did not begin to be felt until April, 1974. At that time, they came on top of serious balance of payments problems in some countries. In early May, Italy imposed a 50 percent deposit scheme on imports other than raw materials and most capital goods, in order to curtail the trade deficit through a reduction of liquidity. Later in the month, Denmark increased taxes on various consumer goods with the same purpose in mind. During the acute crisis, France and the United Kingdom refused to help the Netherlands, and a number of countries considered the introduction of licensing systems on petroleum reexports that would be in violation of the EEC treaty.

Pressure on the Community will grow as the balance of payments problems caused by the steep increase of oil prices begin to induce the painful process of long-term adjustments. Foreign exchange reserves will be spent in two or three years, and the loans obtained from the producer countries through

the "re-cycling" of funds will put the consumer nations in a permanent debtor position. Oil prices are likely to remain high, regardless of a possible temporary glut, because some producer countries are sophisticated and wealthy enough to manipulate production. The beam of hope is the possibility of adequate technological progress. The resources of the North Sea, the oil shales in Scotland, nuclear energy, and the possibilities of hydrogen as a secondary energy source offer the only chances of long-term solutions. In the meantime, the Community must face a tremendous transfer problem, which is comparable only to the situation after World War I when the Allies tried to make Germany pay for the war. A major difference, however, is the fact that the producers are willing to accept European industrial goods because they are not yet industrialized themselves.

The failure of the European Community (EC) to respond *politically* to the petroleum crisis is very serious. It is clear that the price policy of the producer countries threatens the very existence of the Common Market. A credible Common Energy Policy (CEP)—if it had been applied years ago—would have reduced the vulnerability of Europe.

#### THE INCEPTION OF A COMMON POLICY

The need for a European energy policy emerged in the late 1950's, but political action remained divided. Euratom and the ECSC were the agencies that served these policies to some extent. When it confronted a coal crisis that was particularly severe in Belgium, the ECSC partially failed. In 1959, the High Authority recommended a policy that included import restrictions and production quotas. The French and the German ministers, however, rejected this policy in a council meeting of May 14, 1959; instead of taking joint action, the six governments simply isolated the Belgian market from the rest of Europe. Germany was opposed to a reduction of coal production in the Ruhr, and France was reluctant to accept the intervention of a supranational institution in the management of the nationalized French coal industry.<sup>1</sup>

None of the three Communities could bear the responsibility for a CEP in isolation, nor were they bound by treaty to formulate such a policy in the same way that the EEC was committed to a CAP. As a result, some European industrial planning was in the hands of the multinational oil companies (five American and two European) and, later, in the hands of the oil-exporting countries. The failure to

arrive at a CEP resembling the CAP has been explained as a result of the "splitting of responsibilities between the European Coal and Steel Community, Euratom and the EEC, and major differences between the energy structures and policies of the member countries."<sup>2</sup>

One might be inclined to point out that the CAP unified different policies in a politically very sensitive economic sector, but when applied to energy this analogy is not entirely valid. The CAP was part of a political bargain that made the Treaty of Rome possible, and its execution to France's satisfaction was an essential condition for the Community's later success. Endless marathon sessions of the Council of Ministers and bitter confrontations that imperiled the very existence of the Common Market were the price of this achievement. For the integration of energy policies, including oil and nuclear power, a political compromise of this nature was missing. Political compromise was a factor with regard to coal and steel; the political deal of the Paris Treaty establishing the ECSC was an essential step toward the reconciliation between France and Germany. The absence of a comparable political basis for a CEP consequently reduced the Eurocrats to writing sheaves of reports and encouraged resolutions emanating from the various "capitals" of the Community.

The problems of an ailing coal industry induced the Council of Ministers on October 8, 1957, to instruct the High Authority to act in cooperation with the commissions of the EEC and of Euratom in order to outline an energy policy for the Community. The High Authority delegated this task to the *Groupe de travail interexécutif "Energie,"* composed of members of the three executives and chaired by a member of the High Authority. In 1962, this committee published the *Mémoire sur la politique énergétique*, supported by detailed facts in *Étude sur les perspectives énergétiques à long terme de la Communauté Européenne*. Although the political memorandum referred to the recent political agreements of the ministers of agriculture, it did not actually suggest that the interventionism and the protectionism of the developing CAP should serve as a model for a European energy policy. There was no intention to stem the tide of cheap oil imports, and the committee recognized the "*nécessité d'adapter les sources intérieures d'énergie à la situation résultant du prix des énergies importées.*" This was based on the unwise assumption that growing imports would strengthen the bargaining power of the consumer countries.

The *interexécutif* was nevertheless aware of the security problem, i.e., the possibility of supply interruptions. As a partial solution of this problem, the committee recommended further subsidies for the coal industry, a broader diversification of the supply

<sup>1</sup> Danièle Blondel Spinelli, *l'énergie dans l'Europe des six, fondements d'une politique énergétique commune* (Paris: Editions Cujas, 1965), pp. 137 ff.

<sup>2</sup> Fernand Spaak, Director General for Safeguards and Controls of Euratom, "An Energy Policy for the European Community," *Energy Policy*, June, 1973, p. 35.



points for petroleum, and restrictions on imports from Communist countries.

After the 1967 war in the Middle East and the unsuccessful Arab attempt to use oil as a political weapon, the Community made a fresh start toward a CEP. Representing the three Communities as a whole, the commission published the *Première orientation pour une politique énergétique communautaire* in 1968. Reluctant to question any national energy policy or to offend powerful petroleum interests, the *First Guidelines* nonetheless gave more specific and more explicit recommendations than previous communications. The *First Guidelines* aimed at the unification of the market systems and a balanced compromise between security and low oil costs.

Improving the economic intelligence and the writing of energy balance sheets were important specific recommendations. The energy market, once unified and properly organized, would function without much intervention, and the policy instruments of the Community would be restricted to surveillance and recommendations to the national governments. Petroleum was to be included in any future trade agreements between the Community and outsiders who are oil producers. The *First Guidelines* marked the CEP's transition from the academic to the bureaucratic stage.

In 1970, the oil market became a seller's market, and the Organization of Petroleum Exporting Countries (OPEC) established itself as a powerful producer cartel. At a confidential briefing of the OECD-Energy Committee, the American delegate warned the Europeans in January, 1970, that they could no longer count on American help in case of serious supply difficulties.<sup>3</sup> The following year, the international oil companies had to accept the Tripoli and Teheran agreements, and Libya and Kuwait announced their intention to reduce production in addition to substantial price increases.

In this uncomfortable situation, the Community made a further timorous attempt to establish an energy policy. Three further studies were published in 1972. These studies updated statistics, repeated earlier political recommendations, and emphasized the notion of "interdependence" between consumer and producer states.

On the eve of the petroleum crisis of 1973 there was still no sign of a CEP. The council was unable to complete the program of economic integration, and after the transition period, the EEC had no common commercial policy for petroleum and its derivatives. Internally, trade was still hampered by conflicting technical regulations and safety standards.

Of particular importance in this context was the French market organization for hydrocarbons.

## THE FRENCH MARKET

The legal basis of the French petroleum market is a set of laws that came into effect on January 10, 1925, April 4, 1926, and March 30, 1928, respectively. These laws established a state monopoly for hydrocarbon imports, which the government then delegated to public and private companies. The purpose of this policy was to promote a French petroleum industry at the expense of the international corporations. Foreign and French companies obtained their import licenses on conditions that usually included a commitment to a specific volume of refinery capacity in France and a high level of stockpiling. The first licenses were issued in 1931 for 20 years and were renewed for 13 years in 1952.

After World War II and before the independence of Algeria (1962), French petroleum policy encouraged the development of the Sahara, where oil was struck in 1955. In 1960, the state corporation, *Union Générale des Pétroles* (UGP), was formed in order to refine and to sell the crude produced by French companies in the Sahara. Because the Sahara was still French territory and because the international companies were only marginally represented there, the UGP was able to enter the French market successfully, as a "newcomer." It became a rival to the *Compagnie Française des Pétroles* (CFP), whose original purpose had been to handle the French share of Iraqi oil after the end of World War I. The CFP is a semipublic corporation with state financial participation of 35 percent.

In 1963, the French government reorganized the petroleum market. The new import regime, which came into effect in 1965 for 10 years, favored the French companies, and the UGP in particular, at the expense of the multinationals. Motor gasoline, lubricants, and some other derivatives were subject to quotas. The import of crude was free in principle but was indirectly regulated. Quotas were applied to petroleum products when they left the refineries, which functioned as free ports for crude in France. Since products derived from crude imported from the franc zone did not fall under these regulations, the international companies were forced to buy expensive Sahara oil when they wanted to expand production. This happened at a time when the French companies began to have their doubts about the political attitude of the Algerian government and were trying to diversify their supply bases.

The new quota distribution provoked the militant resistance of the multinationals. They took the case to the French Supreme Court (*Conseil d'Etat*) and to the court of the EEC. The latter recognized that the French quota system was incompatible with the Treaty of Rome, but tolerated it temporarily.

<sup>3</sup> Walter Laqueur, "The Idea of Europe Runs Out of Gas," *The Atlantic Community Quarterly*, vol. 12, no. 1 (spring, 1974), p. 66.

Responding to a 1963 commission recommendation, the French government increased the quota for hydrocarbon imports from other member states. In the meantime, the conflict with the international companies continued, and it became increasingly uncertain that this confrontation was really in the best interest of France. What would happen if the Sahara no longer belonged to the franc zone? Was it wise to alienate the powerful international corporations who were best equipped to handle supply crises and were thus a stabilizing factor? It is possible that considerations of this nature led the French Cabinet to compromise in 1965 and to drop the distinction between foreign oil and Sahara oil.

The conflict between the French government and the French oil companies on the one hand and the international corporations on the other coincided with the 1963 abolition of import duties on crude oil by the EEC. At that time, the French energy minister, Maurice-Bokanowski, crusaded in Europe for a common energy market structured according to the French model. At that time, incidentally, a debate on French planning versus the principles of the German social market economy excited economic policy makers in the community. Emissaries of the French Commissariat Général au Plan were engaged in a public relations effort, trying to graft the idea and the techniques of French planning on the Europe of the Six. But more than principles of political economics were involved in the context of energy. The French market order for hydrocarbons responded to the interests of the French and German petroleum companies; on the German side some coal interests were also involved. The lobby of three French state petroleum companies and nine German oil firms presented their views to their respective governments and to the commission in Brussels.

The German government, however, resisted this pressure. The German national oil companies were no match for the international corporations, and the German government did not intend to grant the French Sahara oil preferential treatment in the community market. The German policy of protecting the coal industry was based on a 1960 tax of 10 German marks per ton on light heating oil and 25 German marks per ton on heavy oil. Under these conditions the French perception of a European energy market was unacceptable in Bonn.

#### BUREAUCRATIC RESPONSE TO THE OIL CRISIS

In the spring of 1973, a new war in the Middle East was in the offing. The oil-producing states of the region did not hide their intention to use the "oil weapon." Nevertheless, the time of their campaign was somehow surprising, in view of the growing American dependence on oil imports; it might have

been the result of the rivalry between Saudi Arabian King Faisal and Egyptian President Anwar Sadat, whose own domestic position was somewhat insecure.

In this ominous atmosphere, the Council of Ministers devoted the session of May 22, 1973, exclusively to energy policy. The basis for its deliberations was a commission memorandum on the *Guidelines and Priority Actions under the Community Energy Policy*, and the council noted "with satisfaction the Commission's intention to submit to it before 31 December, 1973, concrete proposals regarding Community energy policy."<sup>4</sup> In its *Guidelines*, the commission emphasized that the political and economic conditions of oil supplies and not their availability were the crucial problem of the future. Therefore, the *Guidelines* focused on relations with producer countries ("interdependence") and the cooperative conduct of importing countries. The commission further recommended the removal of obstacles to the free exchange of petroleum and petroleum products among member states, i.e., the harmonization of tax systems and technical regulations, and a common commercial policy. Further support of the coal industry and an accelerated expansion of the nuclear sector would be essential in order to reduce the European petroleum deficit.

The French opposed the intention of their Common Market partners to intensify consultations with the oil importers in the OECD. They pointed out that Europe should define an energy policy before getting involved in serious international discussions. They regarded a unified oil market as absolutely essential—presumably fashioned along the lines of French practice. In an 18-hour marathon session, the conference made little progress.

In order to prepare for serious supply difficulties in the future, the council agreed on a directive obliging member states to provide themselves by June 30, 1974 (!), with instruments appropriate to mitigate the effects of a sudden oil shortage. These measures would include stockpiling, rationing, price controls, mutual consultation, and free exchange of information. Acting on a proposal by the commission, the council decided to support "community projects." The budget for 1974 allocated \$25 million to projects for the technological development of prospecting, producing, storing and transporting hydrocarbons. Community support could take the form of minority participation, loans, and subsidies. Otherwise, the

(Continued on page 132)

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<sup>4</sup> 7th General Report EC, p. 327.

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*"... Italy—the softest spot of West Europe—has paid the heaviest toll for the economic crisis that swept Europe in the aftermath of the Arab oil embargo."*

## Italy in Trouble

By PELLEGRINO NAZZARO

*Professor of History, Rochester Institute of Technology*

THE RESIGNATION of Premier Mariano Rumor's center-left coalition on October 10, 1974, could have been a routine government crisis. Rumor's government, Italy's 36th since the fall of fascism, had been in office since March 14, 1974. However, Italy was suffering economic disarray. Inflation, unemployment, international trade deficits, soaring prices of oil and other commodities, production cutbacks, worker and union tensions brought about one of the gloomiest and most unpredictable crises in the history of Italy's democracy.

Needless to say, the political and economic crisis that plagued Italy also swept most West European democracies. In the aftermath of the Arab oil embargo, most West European governments were weakened, and some were left without effective government. However, the political and economic crisis that beset West European governments varied in intensity and nature from one country to another.

By the end of March, 1974, Great Britain, Belgium, France, Germany, Holland, Denmark and Italy were either without governments or were ruled by coalition governments that proved unstable or weak. In most of these countries, the solidity and effectiveness of the political system overcame the pressure of the moment and produced governments able to rule. But Italy remained the sad exception; the Italian crisis proved to be more complex and serious. Italy was faced with a rising inflation at home and a soaring deficit in the balance of payments abroad.

Without natural resources and with an economic system still in the process of development, Italy faced a crisis of almost disastrous proportions. No matter how great and constant the sacrifices it imposed upon the nation, the government could not overcome the consequences of the crisis. To avoid mass unrest, it chose deliberately to let inflation run its course. Thus, people were kept employed and the appear-

ance of continued material improvement was maintained. In fact, while the cost of living soared 20 percent, wages and salaries went up 25 percent. The government had no alternative. It would have been politically unwise to ask the Italian people for a halt in economic growth. This would have meant a decline in the standard of living and inevitable socioeconomic imbalances. Consequently, Italy—the softest spot of West Europe—has paid the heaviest toll for the economic crisis that swept Europe in the aftermath of the Arab oil embargo.<sup>1</sup>

The government crisis of October, 1974, was motivated by Italy's socioeconomic disarray; it was also aggravated by political inflexibility, by personal and government feuds, and by the deterioration of the basic political understanding among the partners of the center-left coalition.

The resignation of the government was announced by Premier Rumor after four days of tense discussions over credit policy and fiscal measures. While the Christian Democrats and the Social Democrats believed that inflation could be controlled only through a drastic reduction of consumption and expenditures, the Socialists claimed that these fiscal measures would result in additional taxes and further credit restrictions. Together, these measures might provoke a serious recession, with massive unemployment. In reality, the Socialists opposed the credit squeeze to placate the workers' unions, which opposed any deflationary measures aimed at a reduction of production and employment.<sup>2</sup>

Paradoxically, on August 13, 1974, Parliament had already approved a program of austerity measures. The austerity package included heavy taxes on imported luxury goods, levies on cars, hikes in personal-income and value-added sales taxes, further increases in the cost of gasoline (\$1.85 per gallon), and special measures to catch tax evaders. In 1973, only three persons had declared an income profit of over 200 million lire. The aim of the package was to reduce imports and save an estimated \$5 billion. Meantime, the new revenues would have reduced the Treasury

<sup>1</sup> "L'Europa e' piu' forte, ma l'Italia e' piu' debole," *La Stampa*, October 20, 1974.

<sup>2</sup> Paolo Berti, "Il Parlamento non sa fare le leggi," *L'Europeo*, September 12, 1974, pp. 22-24.

deficit and the government's need to borrow abroad. According to Emilio Colombo, finance minister and economic expert, credit in Italy could become available only if fiscal measures had a concrete effect on demand, in which case more money would become available to the capital-hungry private sector of the Italian industry. With these measures, the government planned to support and spur production, thus averting the unemployment that worried the Socialists.<sup>3</sup>

An agreement on these basic fiscal measures was never reached. The differences between the Socialists and the other partners of the coalition were never reconciled. As months went by, the coalition deteriorated so far that the Socialists asked for the admission of the Communists in a broad-based national emergency government to help solve the nation's economic difficulties. Under these circumstances, the Cabinet's fall became inevitable. The Social Democrats subsequently resigned from the coalition government and asked for new general elections.

In an attempt to solve the crisis, Italy's President called upon Senator Amintore Fanfani to try to patch up the center-left coalition. After three weeks of intensive meetings, conferences, and debates with the Socialists, the Social Democrats and the Republicans, Fanfani gave up any attempt to form a coalition government on October 25, 1974.

In reality, the situation was more difficult than had been expected. The differences between the Socialists and the Social Democrats were profound. In a 10-point program, the Socialists asked Fanfani for a policy of food price control and a year's pay for the unemployed by means of state and factory emergency plans. They also requested easier credit for small business. The Social Democrats, on their part, insisted that the Socialists publicly pledge fidelity to the center-left coalition and shun cooperation with the Communists at national, regional, provincial and communal levels.

Fanfani tried a middle-of-the-road compromise. While he rejected any direct collaboration with the Communists as inopportune and immature, nevertheless he promised the Socialists to treat responsible and constructive proposals from the Communists with serious consideration. Fanfani was advocating an outside, indirect Communist support of his government.<sup>4</sup>

The Socialists did not accept Fanfani's solution.

<sup>3</sup> Agenzia-ANSA, *Weekly Review*, August 22, 1974, pp. 8-9.

<sup>4</sup> Domenico Bartoli, "Perche' i Comunisti dovrebbero aiutare gratis il centro-sinistra?" *Epoca*, October 7, 1973.

<sup>5</sup> Pietro Zullino, "Berlinguer sull'uscio," *Epoca*, November 4, 1973, pp. 34-38.

<sup>6</sup> Marzio Bellacci, "I carissimi nemici," *Epoca*, September 7, 1974, pp. 14-17.

In the mind of Francesco De Martino, the secretary general of the Socialist party, this was the most favorable moment to try the Socialist doctrine of "advanced equilibrium"—that is, the Socialist version of the *historic compromise* for bringing the Communists into the government.

De Martino's adamant position was strengthened by two important factors: the ambiguity of the left-wing forces within the Christian Democratic party; and the results of the national referendum of May 13, 1974, on the divorce law and the regional elections in Sardinia of June 16, 1974. The left wing of the Christian Democratic party became the champion of the *historic compromise* with the Communists, which Giovanni Galloni, Carlo Donat-Cattin, and Ciriaco De Mita had advocated for years.

According to Galloni, "the Communists' bid has a positive significance insofar as it discloses the availability of the Communist party to cooperate to guarantee Italy's institutional and democratic system."<sup>5</sup> De Mita's position on the collaboration with the Communists seems to be the most radical ever advocated by any member of the Christian Democratic party. "If the Communist party gives up its old allegiances and its ideological cliché," suggested De Mita:

we could even talk of a new institutional and democratic mechanism in which the Communist party could be accepted as the most legitimate alternative to the power of the Christian Democratic party.<sup>6</sup>

The political setback that the Christian Democratic party suffered in May and June was also important. The party lost the nationwide referendum on divorce by a wide margin. In fact, 59.1 percent of the people voted to uphold divorce. The defeat of the Catholics and Neo-Fascists—both opposing divorce—was interpreted as a swing to the left. To make things worse, on June 16-17, 1974, the Christian Democrats suffered a serious setback in Sardinia's regional elections. The party's vote declined 6.2 percent, from 44.5 percent in 1969 to 38.3 percent in 1974. The Communists, instead, gained 7.1 percent, from 19.7 percent in 1969 to 26.8 percent in 1974. As a result, De Martino's Socialists asked for the enlargement of the coalition area to include the Communists.

### IS THE HISTORIC COMPROMISE POSSIBLE AND ADVISABLE?

The collaboration of lay forces with the Catholics has always been a challenge in Italian politics. Historically, in Italy the lay forces have relentlessly sought a collaboration with Catholics at all levels. Attempts were made in the Gentiloni Pact (1913) and in the Concordat (1929). Since 1945, Pietro Togliatti and all the leaders who succeeded him have sought an alliance with the Catholics at the government level. In other words, the Communists have



sought inclusion in the government with the support of only the Christian Democratic party. Needless to say, once entrenched they would know how to remain. Therefore, the crucial issue for the Communists has always been how to reach the government, in view of the fact that the popular vote has constantly denied them a governing majority. It is important to remember that the Communist party has gained only 8 percent of the popular vote (from 19 to 27 percent) from 1946 to 1972. Following this trend, it would be 80 more years before the Communists could attract the 51 percent they need to govern Italy.

Under Togliatti, the Communists renounced the principle of violent revolution and espoused the doctrine of the gradual conquest of the state through a profound and continuing act of *penetration*. This strategy was based on the postulate that to effect a Communist revolution in Italy, the party needed at least partial control of the government. In line with these principles, in the last decade the Communists have doubled their efforts to bring the *historic compromise* toward a practical and realistic achievement.

In 1973, the Communist party started an all-out action. Enrico Berlinguer, the secretary general of the Communist party, outlined the conditions and the strategy of the *historic compromise*. On September 28 and October 5, 1974, in two articles published in *Rinascita*, the official magazine of the party, Berlinguer again proposed the coalition to the Christian Democratic party. Other members of the Communist Politbureau, Giorgio Amendola, Pietro Ingrao and Gerardo Chiaromonte, followed. They either published articles or gave interviews to the Italian press.<sup>7</sup>

In accord with the strategy inherent in the *historic compromise*, the Communists advocate:

1. A progressive transformation of the political, economic and social assets of Italy to lay down the conditions for a future "democratic way to socialism."
2. Socialism in Italy through constant government assistance to the masses.
3. Socialism achieved by injecting the working class into the mainstream of the decision-making process, without serious damage to the middle class.
4. Socialism through a coherent alliance with heterogeneous political forces whose common denominator is the perfection of the democratic state.
5. The *historic compromise* by a "democratic" transformation of all those Catholic forces that believe truly in democracy, justice and equality. This transforma-

tion means the rejection of any collaboration with conservative, capitalist and neo-fascist elements at all levels of the political and government pyramid.<sup>8</sup>

The opposition to such a *historic compromise* is diversified. The Social Democrats, the Liberals, and the Republicans reject the formula outright, because it would mean their end as political parties. The Socialists accept the substance of the formula but reject the strategy. In their opinion, it would reserve a marginal and mercenary role for the Socialists in the new coalition. In the long run, this would lead to Socialist absorption by the Communist party. Instead, the Socialists advocate either a Christian Democrat and Socialist government with the external support of the Communists, or a tripartite coalition of Christian Democrats, Socialists and Communists with well-defined and pre-determined roles, functions, strategies and responsibilities. As for the Christian Democrats, with the exception of the left-wing of the party (represented by *Forze Nuove* [New Forces], led by Donat-Cattin, and *La Base* [Basis], led by De Mita and Galloni), the overwhelming majority of the party is extremely cautious about the *historic compromise*.

In December, 1973, in a documented and detailed report to the national direction of the party, Secretary General Amintore Fanfani rejected Berlinguer's bid. According to Fanfani, the bid did not represent a new element in the overall strategy of the Communist party to capture the Italian government. Instead, the Communist party was trying "to get everything without sacrificing anything." On August 22, 1974, Fanfani repeated his opposition to the *historic compromise*. He maintained that it would have detrimental effects on the unity of the Christian Democratic party as an interclass party; it would bring to an end all those political parties that share a democratic vocation along with the Christian Democrats; it would strengthen the reactionary parties of the right-wing political spectrum, and would produce strife and unrest that would encourage fascist ventures; it would have serious and widespread effects on the role of Italy in the area of international relations; it would introduce radical and risky changes in the political, economic and social system of Italy, in contrast to the spirit and the ideals of the Italian constitution.<sup>9</sup>

Clearly, Fanfani and other politicians cannot be easily misled by the cajolery of the Communist party. The *historic compromise* cannot be dissociated from the *tactics* and the *strategy* of the Marxist-Leninist schemes pursued by the Italian Communist party. The ultimate goal of Italian communism is to bring socialism to the Italian people; this should be subject to popular decision.

The entrance of the Communists into the area of the

<sup>7</sup> Gianni Di Giovanni, "Perche' i Comunisti cercano la D.C.," *Tempo*, November 18, 1973. Editorials by Gerardo Chiaromonte in *L'Unita'*, October 18 and 21, 1973.

<sup>8</sup> E. Berlinguer, "Imperialismo e coesistenza alla luce dei fatti cileni," *Rinascita*, September 28, 1973, and "Via democratica e violenza reazionaria," *Rinascita*, October 5, 1973.

<sup>9</sup> *Il Popolo*, August 22, 1974.

coalition [writes Angelo Macchi] is a political act of such a great dimension that it cannot become effective without the clear consensus of the Italian people.<sup>10</sup>

The *historic compromise* is not acceptable largely because of its consequences on Italy's relations with the Western world. Although the Communists have apparently softened their radical and violent opposition to NATO and to the EEC as well, ambiguity persists.

The very fact that the Communists are noncommittal on the future of Italy's foreign policy warrants a rejection of their bid for a *historic compromise*. So long as the Communists continue to state their allegiance to the Soviet Union, the Christian Democrats need not seek any collaboration with them. Once in power, the Communists would force Italy to seek a status of "international neutrality." But Italy cannot survive as a free and democratic nation under such conditions. As Fanfani put it, the *historic compromise* would force Italy to adopt drastic changes in her domestic system and in her international relations. Such changes would have "harmful effects on other European nations, on the entire defensive system of the Mediterranean, and would affect negatively the *détente* between the United States and the Soviet Union."<sup>11</sup>

According to the economic indices for 1973-1974, Italy has undergone another economic boom in her industrial sectors. For the period January-June, 1974, industrial production rose 12.2 percent. Metallurgic industries rose 10 percent; mineral industries, 9.7 percent; chemical industries, 4.3 percent; textile industries, 4.2 percent; electric energy, 4.2 percent; food industries, 2 percent. Investments in industrial services went up 23 percent, with a production increase in certain areas of 15 percent.

However, the auto industry, the construction industry and agriculture reported declines. Fiat production for 1974 declined 200,000 cars, from 1,600,000 in 1973 to 1,400,000. The estimate for 1975 projects a further decline. It is estimated that Fiat will produce no more than 1,300,000 cars in 1975. However, according to the same calculations, Fiat has guaranteed a wide margin of profit, with price increases by about 40 percent in the last eight months.

The construction industry has declined 21.3 percent from the indices of 1972-1973. In the first semester of 1974, there were 56.1 million cubic meters of constructions compared to 71.3 million in 1973. For the same period, 72,291 new homes were

built, compared to 102,349 in the same period in 1973. Considering that Italy needs an average of 400,000 new homes each year, the decline in the construction industries has been serious.

Agriculture is the weakest point in Italy's economy. From 1969 to 1973, the number of agricultural workers declined dramatically. The myth of industrialization, with its white- and blue-collar jobs, motivated more than 1.5 million workers to shift from agriculture to industry. As a result, today Italy must import agricultural products in huge quantities: seven million quintals of beef; five million quintals of sugar; two million quintals of olive oil. In the field of agricultural technology, Italy buys patents from other countries for \$250 million while she sells only \$43 million. The overall deficit in agriculture in 1973 was more than \$3 billion; in 1954 it was only \$40 million.

In Italy, political crises are superimposed on economic unrest. Clearly, inflation is the cankerworm of the Italian economic system. According to the latest Common Market monetary committee figures Italy has the worst inflation of the European Community and the Western world, with consumer prices rising at an annual rate of more than 20 percent. While in West Germany the inflation rate is 7.3 percent, in Holland, 10.3, in Luxembourg, 10.6, in France, 14.7, in Belgium, 15.6, in Britain, 15.8, in Denmark, 16.6, and in Ireland, 17.9, in Italy it has reached 20.3 percent.

Italy's crisis lies in the balance of payments deficit. Through September, 1974, Italy's trade deficit was running at an annual rate of about \$16 billion. The basic reason for this huge trade deficit has been the component industrial boom-inflation. In 1974, Italian production increased more than 14 percent in several sectors. However, the rate of inflation was over 20 percent. The increase in oil prices aggravated the situation. While in 1972 Italy's oil bill amounted to \$2.6 billion, in 1974 it reached \$10 billion. According to Ugo La Malfa, finance expert and leader of the Republican party, Italy's trade deficit in 1974 was almost \$15 billion. To meet its obligations, Italy has borrowed more than \$10.8 billion since 1972. But huge borrowing brings large interest charges. In fact, Italy pays over \$1 billion in interest charges each year. With the present level

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<sup>10</sup> Angelo Macchi, "Il compromesso storico," *Aggiornamenti Sociali*, April, 1974, pp. 223-246. On the historical development of the Italian Communist party, see Italo Vacarini's series of articles: "L'Esperienza politica del partito comunista italiano," *Aggiornamenti Sociali*, June, 1972, pp. 395-414 and July-August, 1972, pp. 489-506.

<sup>11</sup> *Il Popolo*, August 22, 1974.

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*"Thanks to a comprehensive social security system, the real French showdown may be postponed for some time, but, sooner or later, some segment of the population will find its situation intolerable and challenge the government's authority."*

## France on the Ebb Tide

By EDWARD WHITING FOX

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LIKE MOST industrial democracies, France is in the grip of an economic crisis that threatens to provoke a major political confrontation. Inflation is running at an unacceptable rate and accelerating, while production is falling off and unemployment is spreading. With any known remedy for one set of these symptoms almost certain to aggravate the other, however, the new government of President Valéry Giscard d'Estaing now appears to be settling into the same state of shock that has paralyzed the rulers of most other developed countries.

In some ways, France might have seemed better situated than most to contend with this crisis. Her recovery from World War II and the trauma of decolonization has been spectacular, revealing unexpected human resources of talent and energy. For a decade and a half, her government has been stable, with a consistent majority in the Assembly supporting the near dictatorial powers of the presidency, which is now in the hands of an unusually able young technocrat with nearly ten years of experience in managing the country's economy. Hardly any other national leader seemed as well placed to attack the current problems; but Giscard's failure to follow up an initial flourish calls attention to serious liabilities in his situation that derive from fundamental contradictions in the socioeconomic structure of not merely France but of the entire West as well.

Because the French have very largely fueled their economic miracle with imported petroleum, they are being forced to face the energy crisis in a brutally simple form. If their experience is taken as a model, the implications are that economies designed to function on a continually increasing consumption of cheap energy cannot absorb the new quadrupled price of oil without revolutionary reorganization. At the same time, any attempt to accept this conclusion and to organize an economic retreat to a radically lower level of energy consumption—and a correspondingly lower standard of living—will reveal that the French, like

the rest of us, have been floating themselves over political reefs on the rising tide of their new wealth.

It was possible to avoid agonizing political questions about the proper distribution of the nation's income when most of the population could count on a steady increase in their purchasing power. But if the economic tide has turned, the old political reefs will reemerge; and last spring's presidential election suggests that the French are far from ready for such a test. In short, France today offers a testing ground for the survival power of the consumer society that has been proliferating in the West during the last quarter century and, if that should collapse, for the viability of democratic institutions.

This is not the place for a technical analysis of the economics of "stagflation," but rather for a review of the developing French economic situation and the political response it has evoked. Although inflation had begun to gather momentum well before the jump in petroleum prices, it caused more comment than concern because earnings were also on the rise. But because over 60 percent of the energy consumed in France is produced by imported oil, the escalation of its price not only further inflated production costs but piled up balance-of-payment deficits on an unprecedented and unmanageable scale. This new jump in the rate of inflation cut purchasing power sufficiently to reduce demand and move the economy toward a recession with significant unemployment. While neither of these factors—the balance-of-payment deficits or the economic slow-down—had made themselves felt by the general public in the spring of 1974, to expert observers they were becoming more and more apparent.

At this point, the country was plunged into a presidential election under unusual conditions. For at least a year, President Georges Pompidou had appeared to be in failing health, but absolutely no information on the subject was provided by the government, and even the President's aids seemed to know

little more than the public. The secret, not so much the fact but the nature of his illness, was so well kept, that informed observers expected him to finish his term in 1976. Then, suddenly, at the end of March, 1974, the President told his closest associates he had a rare but fatal cancer, and on April 2 he died.

In retrospect, it has become clear that the normally vigorous Pompidou had been maintaining a caretaker government for at least six months in a desperate effort to maintain his authority to the end. But why? Much as he had enjoyed his office, it was not in character for him to cling to power he could no longer exercise. The answer to that question was provided almost immediately by the late President's Minister of Finance, Valéry Giscard d'Estaing, who admitted, in answer to a reporter, that he would be a candidate for the vacant office. Giscard's presidential aspirations had been no secret, but the Gaullist leaders had intended to head off his bid by forcing him to participate in a caucus of the "majority" (as the coalition of Gaullists, Giscard's Independents, and dissidents from the Center were known) that would present a single Gaullist candidate. To hold such a meeting before their dead leader was buried, however, would have been too shocking to risk; and so while they waited and fumed, their quarry escaped. To understand why Georges Pompidou went to such painful lengths to make possible this maneuver, it is necessary to recall his own political history as well as that of his beneficiary, Giscard.

#### POMPIDOU'S BACKGROUND

Although the late President had been a member of the Gaullist political organization, he was not considered a "real Gaullist." He had not served with General Charles de Gaulle's Free French but had joined de Gaulle after the Liberation as a personal aide. When the first Gaullist political movement, the RPF, collapsed in 1953, Pompidou went to the Rothschild Bank, where he served as general manager until de Gaulle was firmly reestablished in power after the collapse of the Fourth Republic. When the General staged a constitutional coup in 1962 by instituting the direct popular election of the President, thereby freeing himself from any effective control by the Assembly, he made Pompidou Prime Minister, apparently as much for his lack of political independence as for his obvious ability. At the same time, de Gaulle promoted a young and minor member of the Cabinet to the powerful ministry of finance, thus bringing Giscard into close contact with Pompidou.

The new minister of finance was considered one of the most promising government officials of his age; he also controlled a small well-disciplined party of Independent Republicans. Contrary to a well-cultivated myth, the Gaullists never constituted a majority of the electorate, but they regularly enjoyed the in-

voluntary support of large numbers of captive voters who saw any victory of the Left—particularly a united Left—as the prelude to a Communist takeover. Largely provincial conservatives, these "supporters" never developed an effective political movement of their own, leaving themselves little choice but to vote for Gaullist candidates. Some of them, largely from the hill country of central France, had been organized into an effective force by Giscard's father, himself the son of a tough local political boss.

Thus the new President inherited not only ambition but a solid political organization as well. Grandfather Giscard had glamorized the family name (for his grandson, he said) by adding the "d'Estaing," the father made a considerable fortune, and the young Valéry set records in his brilliant performance in France's elite schools of engineering and national administration. When de Gaulle returned to power in 1958, the Giscards hitched their political wagon to the rising star and Valéry was rewarded with minor and then major Cabinet posts. In 1967, however, he attempted to translate his service and support into a voice in policy—with the famous formula, "yes, but." He was subsequently dropped from the government, and, to the disappointment of the opposition, he did not revolt.

Then during the student revolt and general strike of May, 1968, de Gaulle panicked, and was saved by Pompidou. With characteristic gratitude, he rewarded Pompidou by dismissal from office. The following spring, in an attempt to restore his tarnished prestige, de Gaulle called a plebiscite in the guise of a referendum (ostensibly on a plan of regionalization) complete with his usual threat to resign if his proposal were defeated. Giscard seized the opportunity and suggested to the press that, if indeed de Gaulle should lose and depart, Pompidou would be a likely candidate for President, an intuition the former Prime Minister soon confirmed. For the first time, the General's captive supporters had a viable alternative. The referendum was defeated; de Gaulle resigned; Pompidou was elected President; and Giscard returned to the ministry of finance.

Although the young minister seemed to have blocked his own ill-concealed ambition to become President for at least seven, if not fourteen years, Pompidou's unexpected illness, combined with his determination to reward Giscard or to frustrate the Gaullists or both, completely changed the picture. After Pompidou's death and Giscard's well-prepared escape from their noose, the Gaullists began to fall out among themselves. The ideologically pure but politically ineffective "Gaullists of the Left" tried to save the movement, while the famous "barons," the power brokers of the party's fiefs, were beginning to measure their individual prospects in this new situation.

From the confusion, Jacques Chaban-Delmas



emerged as a compromise candidate. A resistance hero, baron of the Gironde, mayor of Bordeaux, tournament tennis player, legendary charmer, he had been Pompidou's Prime Minister until it was disclosed that he had failed to pay any income tax for several years. Although his tax returns were technically legal, the public scandal forced him out of office. Even so, Chaban still appeared a formidable contender when he won the party endorsement; but the misgivings and jealousies that had been aroused by the struggle took their toll. Almost immediately, a young Gaullist deputy, Jacques Chirac, defected with some 50 deserters to Giscard's camp. Pompidou's strategy had worked; he had thwarted the Gaullist hope of a single candidate, weakened Chaban and given Giscard a head start and a clear track for the race. At the same time, before the campaign had officially begun, the "majority" was divided and in disarray.

### CANDIDATE OF THE LEFT

In striking contrast, the Left was aligned behind a single candidate, François Mitterrand, and committed to a common program. This unity was at once impressive and deceptive. In the presidential election of 1965, Mitterrand had demonstrated the possibility of common action by offering himself as a candidate of the entire Left and taking 45 percent of the votes in the run off ballot. What this surprising achievement seemed to show was that most Communist and Socialist voters preferred to support a single candidate with a chance to win, rather than to maintain party purity; Mitterrand has spent the intervening years trying to exploit this discovery. After an unsuccessful attempt to develop a federation of the Left, he joined the moribund Socialist party in 1971, took over its leadership, and negotiated an alliance with the Communists based on a formal common program. As part of the agreement, Mitterrand was to be the designated candidate of the Left in the next presidential election, presumably in 1967. But formidable as this organization appeared, it was as much the product of mutual distrust as common purpose.

A first ballot contest between Communist and Socialist candidates—of the sort Giscard and Chaban were launching—would have risked disaster. If the Communist should capture a run-off spot, he would lose half the Socialists in the final vote. At the same time, the Socialists knew from experience that such a switch would force some of their members to the Communists. As a result, the Communists accepted a second class role, and most Socialists accepted the Communists as dangerous allies only because of the common determination of their rank and file to defeat the "majority." Mitterrand alone seemed truly to believe in the arrangement and the possibility of its either achieving or surviving victory. In the interim, only his devotion, tinged with genius, held it together.

With Mitterrand assured of a plurality, the first phase of the campaign turned into an unequal contest between Chaban and Giscard for the second place. In spite of Chaban's supposed advantage, the polls showed them starting even, with Giscard quickly opening an impressive lead. In the actual vote, Giscard took 33 percent to Chaban's 15 percent, clearly establishing his right to oppose Mitterrand in the run-off and his credentials as leader of the "majority." In the process, however, he had reversed the Gaullist formula and now held Gaullists as captive supporters of his "majority," since not even the embittered Gaullists of the Left could bring themselves to vote for a Communist-supported candidate. Moreover, the two rivals had accounted for nearly 48 percent of the vote—some four points ahead of Mitterrand—suggesting that the "majority" was still alive, if not entirely well.

Even more interesting, however, were the results of public opinion polls taken during the weekend of the first ballot. Of those questioned, 88 percent indicated that they intended to participate in the run-off ballot two weeks later, and well over 90 percent said that they had decided on their candidate and that nothing could change their minds. Finally, they split almost evenly between supporting Giscard and Mitterrand. In fact, a record 87 percent did vote, with the outcome as close as the polls had predicted, giving a vivid impression of an electorate as deeply, as it was evenly, divided. During the final two-week stretch, both candidates sought desperately for the handful of votes that could decide the contest but neither ever raised the country's desperate economic prospects as an issue. Instead, they promised to control inflation, augment social welfare benefits and raise the minimum wage. The voters were not listening, as the polls had indicated.

In the end, Giscard won out his narrow victory, with a mandate to hold the line, not merely against a Communist takeover, but against any further erosion of privilege. Needless to say, he had been backed by the well-to-do; but his real base was in the old France of small businesses and farms that still survives in the hinterland, and particularly in his own Auvergne. For the citizens of this society, communism is the ultimate nightmare, and social progress—higher wages and taxes, for example—is an immediate threat to their very existence. Paradoxically, however, although Giscard came from this background himself, he had been educated to accept the wider horizons of modern France.

Although the new President has shown himself in fact much more the able administrator than the wiley politician, and while he is certainly an anti-Communist, he is no ideologue. He might even be more at home with the moderate democratic Left than with his own reactionary followers; and his first Cabinet was made up primarily of non-political experts, a de-

parture from custom that did nothing to endear him to the Gaullist barons who had expected ministerial appointments in return for their support. Because the President depends on the large Gaullist bloc in the Assembly, this deterioration in relations could lead to a government stalemate. But since that would risk dissolution and new elections, in which the Gaullists would stand to lose, it is a confrontation that both sides would hesitate to provoke. President Giscard d'Estaing, therefore, faces his country's worst crisis since World War II locked between two tightly bound but brittle political blocs.

During his first six months in office, the new President made a promising start, but then appeared to falter. At the beginning of the autumn, he announced a spectacular series of agreements between France and Iran, designed to reduce the alarming French balance-of-payment deficit. The deal included contracts for the construction of a subway system in Teheran, two large nuclear power plants, the massive purchase of arms and other industrial products, and a four-year line of credit to France of some four billion dollars. This was followed by other important deals with Kuwait and Algeria. At the same time, President Giscard set a ceiling on what France would spend for petroleum imports, and instituted conservation measures to offset the drop in imports. The most striking thing about this program, however, is that in spite of its unprecedented scale it is patently inadequate.

In mid-October, a wildcat strike closed the country's postal system and triggered numerous temporary slow-downs and shut-downs of other government services. The object of the strike was a salary increase to match the inflation. Giscard refused, on the ground that concessions to one segment of the labor force would have led to an irresistible general demand. After six weeks, the strike collapsed. At the same time, however, Giscard did little to check wage increases in the private sector; and worse, he avoided recognizing the implications of his stand, namely, that the function of the inflation was to cut the country's living standard.

Still more threatening to labor's position was the rising unemployment, even though the shock was cushioned by a recent agreement extending the standard relief payments of nearly full salary for six months to a full year in many categories. There was a suspicion among the leaders of the Left that behind this gesture was a government intention to allow unemployment to increase as the only real cure for the inflation. At the same time, it was far from clear what could or should be done to provide employment. An important factor in the layoffs was the mounting number of business failures, caused by falling sales. When the country's third automobile producer, Citroën, seemed on the verge of bankruptcy, the govern-

ment acted to arrange a partial consolidation of the threatened firm with the other major car producers. But the Citroën case only serves to point up the dilemma facing the country and its new President. While the collapse of such an important corporation as Citroën would have been a serious blow to the weakened economy, the continued production of automobiles is hardly what is needed, at least unless the oil price problem can be resolved.

Because the economic, social and political assimilation of the new high energy (and other raw materials) costs promises to be so traumatic, the French, like the citizens of other developed countries, are still hoping for some escape. De Gaulle's pro-Arab policy has been continued, but so far has produced only marginal results. Similarly, financial cooperation, particularly in the context of Europe, aimed at "recycling" the profits of the oil producers, promises little but a stay of execution. And in the December, 1974, summit meeting with United States President Gerald Ford, Giscard even modified the earlier French refusal to participate in an oil consumers' organization in return for Ford's agreement to include the producers in a general conference. Obviously, however, none of these half-contradictory half-measures offered any serious prospect of resolving the country's difficulties.

In his first formal press conference, early in the fall of 1974, President Giscard offered some philosophical observations on the decline of the West, suggesting that he did, in fact, recognize the peril in which France and the entire community of developed nations now stand. But even if this were taken to mean that Giscard was prepared to move realistically toward a sweeping reorganization of the country's economy, there is little in the current political climate to encourage such a course. When he invited the leaders of the Left to meet and consider a common policy, they declined out of hand.

To have been meaningful, such a conference would have had to begin with a full and unmitigated account of the country's condition and a realistic indication of the nature and scope of the requisite readjustments. In brief, this would mean offering

*(Continued on page 136)*

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"While exuding moderation and obsequious support for the MFA, the Communists have penetrated many of the country's most important structures. Their people unquestionably dominate the press, television and a radio that seem never to tire of praising the Armed Forces Movement." Nevertheless . . . "several barriers lie between the conversion of Portugal from a right-wing dictatorial regime to a regime gripped by a military-Communist variant of authoritarianism."

## Portugal and the Future

BY GEORGE W. GRAYSON

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AT EXACTLY 10:55 P.M. on April 24, 1974, Radio Renascença signaled the end of Portugal's 48-year-old dictatorship when its powerful transmitter sent the strains of *E Depois Do Adeus* (After the Goodbyes) across Lisbon and its suburbs.\* Approximately two hours later, it beamed another popular song, the lyrics of which included the phrase "dark land." Hearing these tunes, young officers wheeled into action; within 14 hours, they had seized principal radio and television stations, cordoned off major roads around the capital, taken control of airports in and around Lisbon, occupied the army's central headquarters, won over or neutralized key military and police units, and deposed President Americo Tomás and Prime Minister Marcello Caetano, who were whisked off to Madeira.

The instigators of the coup d'état immediately endorsed amnesty for all political prisoners, termination of press censorship, freedom of assembly, abolition of the previous regime's sadistic, Gestapo-trained secret police known as the PIDE, the right to form labor unions and political parties, and balloting within a year to select a representative constituent assembly responsible for drafting a new fundamental law embodying these rights and guarantees.\*\*

The people greeted this unanticipated turn of

events with abandon: Lisbonites—generally noted for timorous apathy—danced in the streets; multi-colored political slogans and graffiti suddenly appeared on buildings and walls; carnations sprouted from the barrels of guns held by peace-keeping troops. Students drove around in police cars, while PIDE agents were herded into jail cells once reserved for the dictatorship's enemies, no fewer than 73 of whom left Caxias prison and its abominable torture building. Noisy, gleeful crowds greeted returning exiles, including Socialist leader and current foreign minister Mario Soares and the secretary general of Portugal's Communist party (PCP), Alvaro Cunhal, who had suffered 13 years imprisonment—eight in solitary confinement—at the hands of the previous regime (the PCP's 36-member central committee spent a total of 308 years behind bars).<sup>1</sup>

A group of young captains and majors conceived, planned, and executed the nearly bloodless overthrow of Portugal's *ancien régime*.<sup>2</sup> Their original differences with the Caetano administration focused on low pay, slow promotions, repeated two-year duty tours in Africa, generally uninspired leadership, and inferior equipment with which to fight Soviet-armed guerrillas. This disenchantment sharpened on July 13, 1973, when the government promulgated Decree Law 353/73, permitting militiamen (university students fulfilling their military obligation) to receive second-lieutenants' bars after taking a short course at the military academy. This move sprang from a desperate shortage of junior officers caused by a declining birthrate and widespread draft evasion (an estimated 100,000 young men had fled the country). Clearly, the prospect of African service had diminished the prestige of the uniform for Portugal's middle and upper class youth; the military academy was able to fill less than 100 of its 400 openings.<sup>3</sup> The decree law was more than the young officers could tolerate:

\* For excellent research assistance on this paper, I wish to thank Laurie Johnston.

\*\* The MFA's entire program, which, in addition to its focus on civil liberties and political reform, includes articles on social justice, public safety, labor relations, and educational policy, is found in Ministry of Mass Communications, *Provisional Government: the Men and the Programme* (Lisbon: Anuário Comercial de Portugal, 1974), pp. 39-48.

<sup>1</sup> *Diário de Notícias*, October 21, 1974, p. 12.

<sup>2</sup> Benjamin Formigo's interview with Otelo Saraiva de Carvalho provides an illuminating discussion of events leading up to the April 25 coup. See *Expresso*, July 27, 1974, p. 17.

<sup>3</sup> *The New York Times*, April 26, 1974, p. 1.

not only were they poorly rewarded for serving their country, but the conferral of hastily earned commissions also debased their status as career officers.

Outraged by this insult to their professional training and standing, a number of captains and majors on duty in Guinea-Bissau voiced their opposition to the defense minister, General Sa Viana Rebelo. His subsequent modification of the edict appeased the majors. But the captains, still unsatisfied, at once formed an organization that evolved rapidly into the Armed Forces Movement (Movimento das Forças Armadas—MFA), which toppled the regime that had administered the insult. If Sa Viana Rebelo had conciliated the captains as well as the majors in the summer of 1973, the coup might well have been postponed, but the widespread discontent that beset the Caetano regime made a concerted attack on it almost inevitable.

On the heels of the rebuff from the defense ministry, the group of captains serving in Guinea met on August 28 in Bissau; subsequently 55 officers dispatched a letter complaining of conditions and the recent decree law to President Tomás, Prime Minister Caetano, the defense minister, and other officials. Lisbon not only rejected the letter out of hand, but initiated an investigation of its signers.

Meanwhile, another group of captains held a second and unrelated meeting in Evora, 70 miles east of Lisbon. The 136 officers attending this conclave also wrote a letter criticizing the policies of the defense ministry. Although this communication prompted the dismissal of the defense minister and the under-secretary of the army, there was no effort to speed up promotions or halt the recruitment of non-academy officers.

The captains were neither highly politicized nor fully aware of the social strains caused by the African wars, even though they had heard scathing criticism of the administration's domestic policies and the debilitating effect of the colonial shuffle. However, talk about pay, promotions, and professionalism inevitably led to a discussion of Portugal's role in Angola, Guinea-Bissau, and Mozambique and the impact of the war. The khaki-clad captains learned that over 10,000 of their countrymen had been killed and 50,000 had been injured while fighting in colonies; that nearly 50 percent (16,000) of the last class called to military service had not reported for induction; that a large number of the 2 million Portuguese who lived abroad did so to avoid the conditions of West Europe's oldest country or to shield their sons from the draft. They discovered that the wars had each year absorbed 40 percent of the budget of their impoverished nation, which had a small corporate-

military-landowning-governing elite, a middle class that embraced not more than one-fifth of the population, and a large lower class, which is 40 percent illiterate, 60 percent rural, and 80 percent Catholic.

Above all, it became evident that the prosecution of unwinnable wars could devastate the military; the army might well be blamed for defeat in Africa just as it had been excoriated for the loss of Goa to India in 1961. The prospect of becoming a scapegoat appeared real in January, 1974, when a white female farmer was brutally killed in a Mau Mau-like attack in Mozambique. The army's Fifth Bureau, responsible for public information and psychological warfare, placed the blame for the murder squarely on Mozambique terrorists. Shortly thereafter, white settlers attacked Beira's Ocean Edge Officers' Club, firing shots, pelting the building with stones, and demanding that the soldiers hurry out into the bush and track down the guerrillas.

Despite injuries to several people—one captain suffered a fractured arm—the troops held their fire, but the incident demonstrated to the army the danger of continuing the conflict. One officer reported that Caetano was privately saying that he would prefer a military defeat to a political one.<sup>4</sup> Such alleged lack of support contributed to the captains' decision to overthrow the Lisbon government.

By late 1973, the Captains' Movement had become the Armed Forces Movement, when nearly 1,000 officers, including three lieutenant colonels, expressed support for its goals. Among the Movement's leaders were Major (he had just been promoted from captain) Otelo Saraiva de Carvalho, a 37-year-old officer, Captain Vasco Lourenço, and Major Vitor Alves. In their quest for professional improvement, the young men welcomed the support of General Francisco Costa Gomes who, as the army chief of staff, told his superiors that he agreed with many of the captains' demands.

Prior to the coup, the MFA leaders also contacted General António de Spínola, who had served with distinction in Africa and who became the army's deputy chief of staff at the beginning of 1974. Though less involved with the young officers than Costa Gomes, Spínola enjoyed a more imposing reputation within the military as a whole for his innovative leadership and his willingness to think about reforms and share his ideas with fellow soldiers. He had also demonstrated the courage to make many of his thoughts public when, on February 22, 1974, he published *Portugal and the Future*.<sup>5</sup> This volume urged the political democratization of his country "in discipline and under the sign of firm authority," termination of the unwinnable and unacceptably costly colonial wars, and exploration of the possibility of joining Angola, Guinea-Bissau, and Mozambique to Portugal in a multi-racial "Lusitanian Federation"

<sup>4</sup> *The Observer* (London), May 19, 1974, p. 10.

<sup>5</sup> *Portugal e o futuro* (Lisbon: Editorial Arcadia, 1974).



dominated by Lisbon and patterned after the United States of America.

Premier Caetano reacted to the book with an icy silence. Then, three weeks after it appeared, he demanded that Costa Gomes fire Spínola. When the chief of staff refused, both he and his deputy were dismissed from their posts.

The book and the ensuing dismissals sent shockwaves through the country, and several hundred members of the army's 5th Infantry Regiment, led by junior officers loyal to Spínola, rebelled on March 16. Based at Caldas da Rainha, the rebels locked up their regimental commander, his deputy, and three majors, and set out in trucks for the capital, 50 miles to the south. Failing to win support from other military units—especially from an armored detachment based at Santarém—they surrendered without firing a shot after they were confronted outside Lisbon by the 7th Armored Regiment. In the aftermath of the abortive uprising, 180 enlisted men and 33 officers were jailed, including Lieutenant Colonel João Almeida Bruno, a much-decorated supporter of Spínola. The government imposed a state of siege on the country to keep the armed forces in the barracks.

According to Carvalho, the Caldas affair was spontaneous, not a "trial balloon" floated by the Movement.<sup>6</sup> The ease with which Caetano suppressed the uprising may have lulled his government into a false sense of security. Still, the MFA realized that it would have to move soon against the regime. Although he was encouraged by the quelling of the Caldas uprising, Caetano was attempting to identify and arrest dissident officers—warrants had been issued for 15 of the Movement's 20 leaders—and infiltrate and dismantle their organization in order to prevent future anti-government plots. Carvalho claims to have personally traveled thousands of miles in his own car to contact key MFA personnel for the coup.

Meanwhile, the Movement created a political committee, charged with the responsibility of drafting the program that would be implemented upon assuming power. Vasco Gonçalves, the current Prime Minister, presided over the drafting committee, which included Captains Vítor Alves and Melo Antunes, who reportedly wrote most of the program. Spínola allegedly made some changes in earlier drafts of the program after discussions with General Costa Gomes;

however, he received a final draft only at 9:00 p.m. on April 24, at which time he was informed that the uprising was about to start. MFA leaders contend that no one outside their movement helped plan the revolt, least of all civilian politicians, the North Atlantic Treaty Organization, or the Vatican, as some rumors have suggested.<sup>7</sup>

### THE RISE AND FALL OF GENERAL SPÍNOLA

Immediately upon seizing power, the young officers created a Junta of National Salvation, composed of General Spínola and six relatively conservative, older, senior officers from the three armed forces, to invest the coup with a sense of legitimacy and—overtly, at least—to guide the country toward self-determination. From the beginning, there was no doubt that Spínola would dominate this body. He enjoyed the confidence of a large segment of the country's elite, of which he was a pillar, and of the young officers of the Armed Forces Movement. And Premier Caetano, realizing that defeat was imminent, had asked to turn over the powers of his office formally to Spínola lest the government "fall in the streets." It was Spínola who appeared on Lisbon television to promise the Portuguese people that they could look forward to a new constitution, free elections, and civil liberties. Because of Spínola's venerated position, he was named provisional President on May 15, 1974.

Almost from the beginning Spínola clashed with the MFA's shadowy, 12-member political action group known as the Coordinating Committee. He favored an early presidential election to strengthen his position; they wished to await the new constitution. When his first Prime Minister resigned after a power struggle,<sup>8</sup> he sought to name a close supporter to this post, but the MFA insisted on Vasco Gonçalves, an officer from their inner circle. He expressed contempt for the PCP and attempted to minimize its influence; they embraced the Communists as allies and demanded their inclusion in the Cabinet. He preferred a gradualist African policy based on self-determination and federation; they insisted on recognizing Guinea-Bissau's independence on September 10, 1974, and shortly thereafter turning over Mozambique's administrative machinery to the Communist-backed Front for the Liberation of Mozambique (FRELIMO) without consulting the local population—a move that sparked widespread violence in Lourenço Marques.

The showdown came on September 28 when Spínola's supporters attempted to stage a "silent majority" rally in Lisbon to demonstrate their support for the general-turned-politician and their contempt for Prime Minister Gonçalves and the Movement's Coordinating Committee, the dissolution of which was desired by the rally's organizers.

In this instance, the Communists, who had sought

<sup>6</sup> *Expresso*, loc. cit.

<sup>7</sup> *Ibid.*

<sup>8</sup> Premier Adelino da Palma Carlos and four moderate Cabinet members resigned on July 9, 1974, when the Council of State rejected requests, possibly made at Spínola's instance, for (1) a presidential election on October 31, 1974, (2) a referendum on continuing under the MFA-imposed constitution, and (3) authority to enact a strict labor law to deal with a series of wildcat strikes that had swept the country.

to ingratiate themselves with the young officers, proved invaluable allies. Through their contacts across the country they funneled intelligence to the young officers preparing to counter the demonstration and alerted them to alleged—and as yet unproven—plans to assassinate both Gonçalves and Spínola.

In addition, Communists and other leftists in the mass media condemned the rally as “fascist supported” and claimed that it was being organized by former PIDE agents, ex-members of the right-wing Portuguese Legion, and other “reactionaries,” a catch-all phrase now used in Lisbon’s highly political press to describe those who disagree with the government.

Cunhal insisted that the “teeth of the reactionaries be broken before they can bite,” and his sympathizers and other leftists formed “people’s militias” to man the checkpoints around Lisbon, allegedly to prevent the entry of arms and ammunition. Their real purpose was to halt the rally, which would have been a large one and might have revealed (like the pro-Gaullist demonstration in France in mid-1968) the weakness of the left among average people. As the prospects of violence between Spínolistas and the left mounted, the MFA persuaded the provisional President to cancel the gathering, decried in Communist posters as the rally of the “shadowy minority.”

Hard on the heels of the cancellation, Spínola gave up the presidency. His resignation speech warned of the inevitability of “crisis and chaos” and bemoaned the perversion of the Movement’s original program. He reserved his sharpest barbs for the Communists:

I have . . . concluded that it is impossible to build democracy faced with the systematic assault on the foundations and structures and institutions by political groups whose basic ideology offends the most elementary concepts of liberty, in flagrant misrepresentation of the spirit of April 25.<sup>9</sup>

The resignation of its archenemy represented a major victory for the PCP, which identified the act as “a positive event that clarifies the political situation and creates conditions for progress on the course of democratization and decolonization.”<sup>10</sup> The PCP showed its continued support for the MFA and the new provisional President, General Francisco Costa Gomes, by mobilizing over 10,000 supporters in the spacious Praça Marques de Pombal, named for Portugal’s Richelieu who pulled the country to its feet following the devastating earthquake of 1755.

Despite Spínola’s fall and the increasingly remote prospect of a right-wing *putsch*, the Communists have continued to wave the specter of an anti-govern-

ment conspiracy, aided and abetted by the American Central Intelligence Agency which, if successful, would (as in Chile) lead to bloody executions and long prison sentences for those now in power. Such rhetoric is designed to convince the young officers of their regime’s fragility and the need—now more than ever—for loyal allies.

Since Spínola’s resignation, it has become increasingly difficult to determine how and by whom decisions are made within the military government. A number of competing official and quasi-official power centers are evident.

Only a few generalizations can be ventured with regard to the regime’s scattered power centers. The 10 different centers have overlapping memberships; the influence and role of each center—and sometimes its very composition—vary from decision to decision. Thus, a sharp decline in the influence of the presidency, junta, and council of state have attended Spínola’s resignation; the Prime Minister, coordinating committee, and committee of 20 have become increasingly important since September 30; in all centers, army officers wield considerably more power than their navy colleagues, and the role of the air force is at best modest; the 12-member coordinating committee appears to be markedly more leftist (vaguely socialist rather than Communist) than the entire MFA, which—in turn—is well to the left of the armed forces as a whole; and despite a pronounced disdain for personalism and the absence of a charismatic leader, Costa Gomes, Gonçalves, Carvalho, and two ministers without portfolio, Majors Vítor Alves (also deputy premier) and Ernesto Melo Antunes, have emerged as the regime’s most visible public figures.

The several centers have shown little interest in Portugal’s economic problems, which include one of the highest inflation rates (30 percent) in Europe; falling private investment accelerated by the occupation by workers of plants and the arrest of a number of affluent businessmen; a jobless rate that may approach 4 percent in a country that has known little unemployment in recent years; a decline in tourism; and balance of payments pressures, which are cushioned somewhat by \$2 billion in foreign reserve holdings.

More attention has been lavished on such foreign policy matters as divesting the metropole of its 500-year-old colonial empire, strengthening bonds with countries of the European Economic Community, exchanging ambassadors with Communist bloc nations to indicate an increasing nonalignment in international politics, developing working contacts with the Arab states, and maintaining correct relations with the United States, whose continued use of the Lajes air base on the Azores is now being negotiated.

Concern that an unfriendly leftist regime in Portu-

<sup>9</sup> *The Times* (London), October 1, 1974, p. 9.

<sup>10</sup> *The Manchester Guardian Weekly*, October 5, 1974, p. 7.

gal might deprive the United States of the Lajes base (used to refuel C-5As carrying supplies to Israel during the 1973 Yom Kippur war), weaken NATO's western flank, and constitute the first falling domino along the wobbly Atlantic-Mediterranean rim has prompted Washington to dispatch Frank Carlucci, an able 44-year-old, Portuguese-speaking, career diplomat as its envoy to Lisbon and to announce a \$20-million aid package for the military-led government.

But the questions that now dominate—virtually monopolize—the internal deliberations of Portugal's military regime are political: Who will govern the country? How will they be chosen? Through what institutions will they exercise power? Having spent much of their adult lives fighting in Africa, the young officers have little political experience; indeed, few people in this beautiful and historic nation do. Although there is no Fidel Castro on the scene (an important difference), the MFA—like Cuba's 26th of July Movement—may find it tempting to collaborate with the Communists, who offer a comprehensive ideology, a detailed economic program, extensive international ties, and by far the country's best political organization, forged clandestinely during the Carmona-Salazar-Caetano period.

While exuding moderation and obsequious support for the MFA, the Communists have penetrated many of the country's most important structures. Their people unquestionably dominate the press, television, and a radio that seem never to tire of praising the Armed Forces Movement. Now as in the days of the dictatorship, they hold virtually all official posts in Inter-Sindical, the country's largest labor organization; they boast many key positions in the labor ministry; and they are firmly ensconced in a number of local governments (which keep the voting lists for the constituent assembly elections scheduled for March, 1975). They also control the Portuguese Democratic Movement, a political party which, though only a front group, could capture some votes in such conservative, anti-Communist strongholds as the north, around Oporto; and they are believed to have infiltrated other political parties, including the Socialists, who are headed by apostate-Communist Mario Soares.

Several barriers lie between the conversion of Portugal from a right-wing, dictatorial regime to a regime gripped by a military-Communist variant of authoritarianism. To begin with, the Armed Forces Movement and the military as a whole are well to the right of the coordinating committee and are probably more skeptical than Premier Gonçalves and his colleagues of the Communists' good intentions. Many of them adamantly oppose a coordinating committee proposal that would permit the MFA to add

60 officers to the 250-member constituent assembly, believing that the military should get out of politics to avoid even deeper divisions and internecine fighting in the armed forces, which contain men of various viewpoints.<sup>11</sup>

In addition, Spínola remains the most popular person in the country among civilians and military officers, some of the more conservative, least reliable, or anti-Communist of whom are now being retired by the MFA in a process known as *saneamento* (cleansing). If a representative constituent assembly is fairly elected, if a liberal constitution is then promulgated, and if an open presidential contest takes place—three very big "ifs" in a country that has never held a truly democratic election—the de Gaulle-like hero of the African wars might well be returned to the Belem palace.

Thus far Spínola has said little or nothing about his plans and it is by no means clear that he would even consent to run for the presidency when and if elections are held. Soares' Socialists could no doubt work with him, as could the Popular Democrats (roughly similar to the British Labor party), the Christian Democratic-oriented Social Democratic Center party, and most other parties of the center and right. But his candidacy would be anathema to the Communists, their Portuguese Democratic Movement, and the small but voluble Maoist Movement to Reorganize the Portuguese Proletariat, all three of which may attempt to fashion an electoral law—possibly one that bars the candidacies of former Presidents—that would exclude him from any presidential contest.

Another barrier to increased Communist influence is Portugal's masses, who make up three-fourths of the country's population of 9 million and who exhibit a conservative skepticism of marxism, not unlike their Greek counterparts who last year awarded only 9 percent of their ballots to the Communist party. But Portuguese governments—elitist, paternalistic, and hierarchical for eight centuries—have never seriously listened to the *povo*. Should the voting go against parties congenial to the Armed Forces Movement, the results may be interpreted as advisory rather than binding, because the young officers are reluctant to renounce power and the Communists believe that their strength can only grow under a Movement-led regime. As Cunhal recently expressed it: "The party is not armed but there are weapons in plenty to defend our democratic revolution and they are in good hands—those of the MFA." ■

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George W. Grayson, a frequent contributor to *Current History*, has just returned from a research trip to Lisbon. This article is based largely on material collected during his trip. Also, he lectures at the Foreign Service Institute of the Department of State.

<sup>11</sup>The Washington Post, December 2, 1974, p. 14.

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"Whatever the form of future Spanish political institutions, there is little doubt that Spain's new rulers will face serious problems."

## A Remnant of the 1930's: Franco's Spain

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SERIOUS RESEARCH WORKS on the Spanish political regime are recent and so far not very numerous.<sup>1</sup> Scholars, above all Spanish scholars, have often had to fight not only against the negative attitude of an authoritarian system, but also against their own disgust in studying a political regime whose origins are, like it or not, tainted with the blood spilled in a civil war. The fact that the Caudillo is still Spain's master does not help in maintaining the detachment that is essential in political science research.

Like many other authoritarian "isms," Francoism tried to adopt certain democratic features, once it was apparent that the Axis was going to lose World War II. Nevertheless, given the context of the government-organized repression in which such institutions developed, they were a cover for an increasingly more sophisticated dictatorship. Republicans were being shot well after the civil war was over, in a way that would make Chilean repression, almost 40 years later, look mild. G. Jackson estimates that between the end of the war and 1943 some 200,000 Republicans were executed, or died in prison. Terror also expressed itself in the continuous presence of African troops in would-be rebel areas. Political exiles numbered hundreds of thousands.<sup>2</sup>

<sup>1</sup> See G. Hermet, "La politique dans l'Espagne Franquiste," Paris, 1971. Georgel, "Le Franquisme. Histoire et bilan," Paris, 1970. J. Linz, "An authoritarian regime: Spain," in Allardt and Littunen, *Cleavages, Ideologies and Party Systems*, Helsinki, 1964. J. Esteban, "Desarrollo politico y Constitucion Espanola," Madrid, 1973. J. Zafra Valverde, "Regimen politico espanol," Madrid, 1973. R. Fernandez Carbajal, "La Constitucion Espanola," Madrid, 1969. M. Fraga, et al., "La Espana de los Zo," Madrid, 1974.

<sup>2</sup> G. Jackson, *The Spanish Republic and the Civil War*, Princeton, 1965.

<sup>3</sup> Servicio Informativo espanol, "La Constitucion espanola," 1971, p. 13.

<sup>4</sup> One cannot but smile when one hears Francoist leaders talking 40 years later about the same "revolucion pendiente." Impartial observers have every right to wonder whether it is not taking too many years already for the revolution to begin.

The "constitutional" foundations of the regime were laid in this fearful environment. This must be remembered in order to understand the massive, almost 100-percent support that Francisco Franco has pretended to find in the Spanish people. Repression, in rather more sophisticated ways, is continuing.

Apparently, the progressive appearance of Spanish political institutions does not follow a preconceived blueprint, rather, inside a capitalist, authoritarian, nationalistic context, new institutions were created in response to internal and external circumstances and already existing institutions were amended. Of course, Francoist intellectuals use somewhat sophisticated phrases; thus they speak of an "open constitution," or an "open constitutional process." Or, as the Caudillo himself has often repeated, Spain is undergoing a "permanent constitutional process." According to the same official sources, this does not affect the stability and permanence of the regime.<sup>3</sup>

The *Fuero del Trabajo*—chronologically the first of the basic laws that make up the Spanish "constitution"—was enacted in 1938. Following the lines of the Italian *Carta del Lavoro*, it contains a list of more or less programmatic social and economic principles and rights, including: the subsidiary role of the state in the economy; the protection of private property; national syndicalism; the compulsory appointment of Falangist militants as the new leaders of the *Sindicato*. The *Fuero del Trabajo* also included references to the "Revolution which Spain has to accomplish with a both religious and military air . . .,"<sup>4</sup> and a formal declaration that Spain is a totalitarian state.

Four years later, the second of the fundamental laws, the *Ley de Cortes*, appeared. "Cortes" had been the name of the Spanish Parliament from 1812 to the second republic. And it had also been the name of those bodies we could call Parliaments, in medieval Spanish kingdoms. Thus, in creating a body that they also named "Cortes," the new masters



of Spain expressed their desire to establish links with Spain's glorious past.

Nevertheless, the new Cortes had little if anything to do either with tradition or with a parliamentary institution. It can be said without exaggeration that this Cortes was only a sounding board for decisions made elsewhere. The *procuradores* have always approved the bills sent to them, unless, as recently happened with regard to a very mild bill on conscientious objectors, they considered the proposal too liberal. The Cabinet is by no means responsible to the Cortes. And even if that responsibility did exist, it would be of little consequence. Until 1967, no members of the Cortes were directly elected by the Spanish people; since that year, only 108, out of a total of almost 600 members, are submitted to the direct election by "family heads and married women."<sup>5</sup> Considering the legislative powers of the Caudillo since the civil war, there are serious doubts about the parliamentary character of the so-called Cortes.

However, the creation of the Cortes was the first step taken in the direction of progressive detachment from the political line of the Axis, which was then just beginning to crumble. At that time, also, and particularly after the end of World War II, as Elías Díaz, an outstanding Spanish scholar, recently wrote: "... looking for a certain alignment with the Western world, they [the leaders of Spain] stopped insisting on the anti-liberal aspects of the official culture and ideology, stressing rather anticommunism and the defense of Western world values."<sup>6</sup>

In July, 1945, the *Fuero de los Españoles* was enacted. This was a vague and unsystematic bill of rights, including most of the freedoms and rights traditionally contained in such documents. It is precisely the vagueness of its terms that has allowed for the coexistence, for example, of Article 16, which recognizes freedom of association, with the actual im-

possibility of legally organizing political associations in Spain.<sup>7</sup>

Three months later, in October, 1945, the *Ley de Referendum* provided for the organization of referenda whenever the head of state considered it convenient for the nation.

Precisely two years later, the Spaniards were called to take part in the first of two referenda. After a good dose of one-sided propaganda and intimidation, the Spanish citizens consented by an overwhelming majority<sup>8</sup> to the *Ley de Sucesión*. The *Ley de Sucesión* converted Spain into a kingdom. It not only gave the previous Basic Laws their "fundamental" character (together with any other law that in the future might be enacted with a similar ranking<sup>9</sup>); but it also established a procedure for amending them. This, incidentally, allows us to classify the Spanish constitution as a "rigid" constitution.<sup>10</sup> The new Law also created the Council of the Kingdom, a body intended to assist the head of state.

In spite of this constitutional development, Francoism went through its worst days between 1945 and 1948. Despite the hopes of the Spanish exiles, the Allies did not invade Spain (Franco's anti-Communist stance was perhaps starting to produce its first effects). In 1945, however, after the condemnation of Franco by the United Nations, a diplomatic blockade began. The autarchic base of the economy trembled. Guerrillas were still fighting in the mountains. There was serious dissension among the different groups supporting Franco.

Nonetheless, the diplomatic blockade failed. Playing on what Ortega y Gasset has called "the Spanish collective complex of persecution," Franco succeeded only too easily in convincing his fellow Spaniards that the "intolerable" attacks of the international community were directed against the Spanish nation, rather than against Francoism itself.<sup>11</sup>

Thus, in 1948, Franco-Spanish frontiers were reopened. In 1950, the American Senate approved a loan to Spain, and in July of that same year, Spain was admitted to the Food and Agriculture Organization. In November, 1950, the United Nations authorized its members to send ambassadors to Spain, which finally would be admitted into the international organization in 1955. Thus, the new regime was finally accepted by the international community.

Inside Spain, the presence of such personalities as J. Ruiz-Gimenez in the government during the early 1950's, led some observers to believe that an evolution toward political liberalization was about to begin.<sup>12</sup> But although there were certain improvements in the nation's intellectual freedom,<sup>13</sup> a crisis that exploded in February, 1956, led to their immediate abandonment.

In the economic field, changes were more evident.

<sup>5</sup> Article 2, *Ley de Cortes*.

<sup>6</sup> E. Díaz, "Pensamiento español 1939-1973," Madrid, 1974, p. 53.

<sup>7</sup> See discussion of National Movements, below.

<sup>8</sup> The official results of the 1947 referendum, which overwhelmingly approved the *Ley de Sucesión*, were that 82% of the people registered said yes.

<sup>9</sup> Article 10, *Ley de Sucesión*.

<sup>10</sup> In this I consider that the essential factor in deciding the rigid or the flexible character of a particular constitution is the exigence or not of a special amending procedure, irrespective of the constituent initial stage.

<sup>11</sup> Incidentally, it should be added that Francoism has often and successfully returned to the fiction of the "Foreign enemies of Spain," in which Franco includes, apart from free masonry and communism, particular countries, such as the United Kingdom. An irrational, absurd hatred of the British is fostered in history books and by the press.

<sup>12</sup> See, for example, J. L. Aranguren, "Memorias y esperanzas españolas," Madrid, 1968.

<sup>13</sup> E. Díaz, *op. cit.*, pp. 87-126.

Autarchy was forsaken, and the country was opened to the outside world. After a period of necessary stabilization, dictated by the lack of reserves as well as by the presence of a galloping inflation, Spain took the path toward economic growth. In the late 1950's and the early 1960's, the newly arrived technocrats (having put into operation the "Stabilization Plan," following the French example) began the first of a series of development plans (*Planes de Desarrollo*), which definitely placed the country on the path toward economic liberalization.

In the meantime, the *Ley de Principios del Movimiento Nacional* appeared in 1958. This was meant to be a synthesis of previously enacted laws. However, far from being regarded as only a synthesis, the new legislation has often been interpreted by reactionary sectors, of the regime in a more restrictive way than previous laws allowed. (The restrictive interpretation given to the clauses concerning the so-called "channels of participation" is a clear example.) In addition, these Principles are considered by some as irrevocable, with no one having the right to submit them to amendments or changes of any nature.<sup>14</sup>

During the early 1960's, a period of very relative political liberalization began. It was evident that, in order to match the changes made in the economy, some changes were necessary in the political field. The long, tough strikes of the Asturian coal miners in 1962 made it quite clear, for once, that it would not be wise to continue to regard the freedom to strike as a crime. A growing Spanish capitalism, increasingly more integrated with, or more absorbed by international capitalism, was knocking at the door of the Common Market, a club that was not ready to accept reactionary members.

These factors, among others, pushed the government toward political-institutional reform. In addition to a series of ordinary laws, like the "Associations Law," in 1964, or the "Press Law," in 1966 (the latter abolishing previous censorship), a new basic law

was enacted in 1967. The so-called Organic Law (*Ley Organica*) was meant to put an end, for the time being at least, to the constituent process.<sup>15</sup> Although its effects have not yet been greatly noticed (indeed, most of the clauses that it contains will normally come into operation only with Franco's death), the Organic Law is intended to pave the way for post-Francoism.

Although Spain retains, in principle, many of the characteristics of Francoism, the Organic Law and the Fundamental Laws, which together form the "Spanish Constitution," will provide a system that is nearing the first stages in the traditional evolution toward parliamentarianism. The new constitution calls for a King with considerable powers; a Parliament that shares legislative powers with the King; and a Cabinet that is not responsible to Parliament, and whose head is appointed by the head of state upon presentation by the Council of the Kingdom of a list of three names. References to totalitarianism have been scratched out. Nonetheless, at present Franco still rules in Spain.

In the meantime, the Caudillo has chosen his successors. On July 22, 1969, he proposed (and the Cortes as usual overwhelmingly approved) Prince Juan Carlos de Borbon as his heir as head of state.<sup>16</sup> And in June, 1973, he appointed Admiral Carrero Blanco as Prime Minister, thus voluntarily relinquishing one of the functions he had performed since the civil war. However, Carrero, the *eminence grise* of Francoism, who was regarded as the personality most likely to succeed the Caudillo as the strong man in a future monarchy, was killed in a terrorist action in December of that same year.

Consequently, C. Arias Navarro (who had apparently changed his views since the civil war) was appointed as Prime Minister. Surprisingly, Arias began to develop a relatively liberal policy, all the more welcome to many sectors of Spanish society since it was in clear contrast to the political stagnation evident in Spanish life since 1968.

The liberalization was most evident in the press. Not so much, of course, in the official press or in government-run Spanish television (which more or less continued along the old lines) as in other newspapers and magazines, which began to express themselves in unusual terms (by Spanish standards). But freedom of expression had not attained a "Western world level"; some newspapers were treated harshly and were suspended and fined.<sup>17</sup> And in other fields, the regime continued to follow its old policies, refusing, for example, to appoint liberal professors, and imprisoning labor leaders.<sup>18</sup>

In any event, ten months after his appointment, there are good reasons to doubt that Arias Navarro will be able to carry out his mild liberalization policy. The reaction of the most conservative, backward-

<sup>14</sup> It should be said that not all the partisans of the "irrevocable" character can be considered as being part of the more conservative sectors of Francoism. Such would be the case, for example, of Professor Carbajal, who argues in favor of irrevocability on a purely formalistic basis.

<sup>15</sup> The Organic Law was submitted to a referendum. As had happened in 1947, propaganda was absolutely one-sided. Official propagandists dwelt on the alternative "yes" or "disaster." Partisans of a negative vote were despised as "quinquis" (mobsters) by the Marquess of Quintanar in a televised speech.

<sup>16</sup> Even the so-called "left-wing Falangists," who had always boasted of their republican ideals, voted for Juan Carlos. In explaining their attitude afterward, they again revealed themselves as masters of semantics.

<sup>17</sup> This would be the case, for example, of the weekly *Por Favor*.

<sup>18</sup> As happened to R. Morodo, an associate professor systematically rejected by the government as a full professor at the University of Oviedo.

looking cliques of the regime may force him to abandon a substantial part of his program. The sacking of two "liberal" ministers, Pio Cabanillas and Barrera de Irimo, in October, 1974, may well be a sign of his difficulties.

But from now on, there will undoubtedly be changes in Spain, if only because death does not respect anybody, not even old dictators. Franco is already 83 years old, and he does not seem to be in very good health. The economic crisis is also affecting Spain. The foreseeable return of many of the emigrant workers from other nations of Europe, and the decline of tourism are very likely to put a stop to the recent economic growth. It is also possible that the renewed fighting spirit of the Spanish working class may discourage foreign capital from investing in a country where repressive police activity has been protecting capitalist interests.

An underground opposition, until recently weak and dispersed, and often almost nonexistent in many areas of the political spectrum, is reemerging in considerable strength. Encouraged by events in other Mediterranean countries, various clandestine political parties and labor movements are proceeding to form coalitions and to defy Franco's repressive apparatus with caution, but somehow openly. All the more openly, one should add, as one approaches the right in the Spanish political spectrum, since the regime has always reserved its toughest measures for left-wing organizations and individuals.

Francoism has forced political parties to disappear from the Spanish political scene. It is obvious, nevertheless, that the regime is composed of and supported by different social forces, each one of which has been given some degree of representation in the political institutions. Falangists have been traditionally assigned to the ministry of labor and the official trade unions. Carlists and other partisans of the traditional monarchy have been usually assigned the ministry of justice as well as the presidency of the Cortes. The army is given the three war ministries (land, navy and air) and sometimes the ministry of the interior. Conservative Catholics occupy the ministry of information and foreign affairs as well as the economic ministries.

Finally, the Catholic hierarchy, not represented at government level, has members in key posts. One of the three councilors of the *Consejo de Regencia*—

intended to play an essential role in case of a vacancy at the head of the state—has to be a prelate of the Catholic Church. One of the members of the Council of the Kingdom has to be a bishop, and so on.<sup>19</sup>

Analyzing these various forces, it would not be difficult to classify them on the basis of their readiness to accept or to implement political development.

On the one hand, there would be those who want to maintain the status quo. Others would be ready to accept certain changes, granting a certain autonomy inside Franco's constitutional order, although limiting that autonomy to those who would pledge to accept such a political order.

Others would be willing to move toward a real pluralism, although a limited restrictive period would be a necessary prelude.

None of these tendencies have as yet been able to present themselves as legal political organizations. But one cannot but notice the presence of a series of clubs, societies, and so on, which actually have political goals. Through the development of study groups, conferences and seminars, they often try to expand their political ideas. These phenomena—which, incidentally, can be found in very different political systems<sup>20</sup>—do not always have the same legal origins; some of them depend on the "Associations Law," and others have their basis in the formal context of the so called National Movement.

They have not thus far been able to present themselves openly as political, power-seeking groups. Still, the government has produced a draft bill on political associations, intended to introduce some changes in this respect. Although such "associations" will have to live within the tight context of the National Movement, with their composition and activities submitted to strict control, for the first time in the history of the regime political groups are apparently going to be considered as such.

The constitution of Spain—as it has been drafted since 1967—could outline the early stages of an evolutionary process toward a parliamentary regime. But the process will not necessarily be completed.

Some authors have suggested that Prince Juan Carlos's monarchy will belong in the category of so-called "limited monarchies,"<sup>21</sup> the first of two stages in a process toward traditional parliamentarianism (the other being the "orléaniste" or "dual" monarchy).

*(Continued on page 135)*

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<sup>19</sup> This, of course, was the price paid by Francoism for the notorious role the Catholic Church has been playing in favor of Franco since the civil war. One should not forget, however, that a considerable change in the attitude of the Church has taken place recently.

<sup>20</sup> See M. B. Garcia-Alvarez, "Los clubs políticos en Europa," Madrid, 1973. Also, by the same author, "Political Associations in Spain," in *Res Publica*, no. 4, 1973.

<sup>21</sup> Concerning the evolutionary process towards parliamentarianism, see, for example, M. Duverger, "Institutions Politiques et Droit Constitutionnel."

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*"Under Palme, the Social Democratic party seems genuinely committed to a Marxist reconstruction of Swedish society through an enlargement of the government sector of the economy that approaches nationalization."*

## Sweden Today: The Politics of Transcendentalism

BY MARTIN SCHIFF

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SWEDISH POLITICS in the last 40 years has been characterized by a degree of consensus and cooperation that its admirers have labeled "the politics of compromise" or "the middle way." Sweden has been considered a model for the theory that the maturation of the welfare state leads to the "end of ideology" in politics. Thus, Herbert Tingsten, a former leader of the Swedish Liberal party, which has been out of power for over 40 years, could write in 1955: "As the standard of values is so commonly accepted, the function of the state becomes so technical as to make politics appear as a kind of applied statistics."<sup>1</sup> Even the critics of Swedish politics acknowledge the existence of a strong political consensus, but describe it as political conformity induced by the ruling Social Democrats, "the new totalitarians."<sup>2</sup>

The 1973 Swedish Riksdag election appeared to signal the end of the conflict-free model of Swedish politics and its replacement by a more ideological paradigm that may be characterized as "the politics of transcendentalism." The ideological conflicts that appeared in Sweden after the landslide victory of the Social Democrats in 1968 have been accentuated by the proportional representation (PR) electoral system. In Sweden, as in all democratic countries that use PR, a multi-party system has entrenched itself. Unlike other democracies with PR, however, Sweden and her Scandinavian neighbors were always able to form stable governments after elections, with the So-

cial Democrats, the largest party, governing either alone or in coalition with a smaller party. Politically, Sweden seemed to have the best of all possible worlds: (1) the multi-party PR system assured direct democratic representation in the Riksdag to the widest extent of divergent opinion, which normally is not directly represented in two-party democratic systems (which use single-member districts with plurality victories [SMD/PV]); (2) the conflict-free, nonideological pattern of Swedish politics precluded the pre-election political divergence and dissent from continuing into the postelection period of government. The disruption of this conflict-free pattern in the 1973 election and, to a lesser extent, in the 1970 Riksdag election, however, endangered the creation of stable Swedish governments.

The Social Democrats have governed Sweden either alone or in coalition since 1932. In the 1960, 1964 and 1968 Riksdag elections they had more votes than the Liberal, Conservative and Center parties taken together. The 1968 victory was tantamount to a landslide in a multi-party PR system; the Social Democrats gained an absolute majority or 50.1 percent of the vote. At the height of their power in 1969, however, Tage Erlander, the Swedish Prime Minister and Social Democratic party leader, announced his retirement after 23 years in office. Erlander, an earthy, avuncular, provincial Swedish politician, hand-picked as his successor Olof Palme, his secretary, 43 years old, formal, urbane, aristocratic, ideological and international-minded, with a background in university politics rather than, like Erlander, in the labor movement. To many Swedes, Palme appeared to be a far cry from the grass-roots stereotype of the Swedish politician. Despite his apparent lack of "charisma," he was chosen by the Social Democrats to head the government and the party.

As the minister of communication and then educa-

<sup>1</sup> Herbert Tingsten, "Stability and Vitality in Swedish Democracy," *Political Quarterly*, vol. 26 (April-June, 1955), pp. 140-51.

<sup>2</sup> Roland Huntford, *The New Totalitarians* (New York: Stein and Day, 1971). See also Nils Eric Brodin, "Paul Samuelson's Mythical Sweden," *New Guard*, December, 1971, pp. 5-9; Susan Sontag, "A Letter from Sweden," *Ramparts*, July 6, 1969, pp. 23-28; David Jenkins, *Sweden and the Price of Progress* (New York: Coward-McCann, Inc., 1968).



tion in the Erlander government for six years, Palme had pursued a policy of greater social and economic equality even if this meant higher taxation. As Prime Minister, Palme predictably began to implement economic policies—labeled the “New Industrial Policy”—designed to decrease the wage differential between well-paid white-collar employees and lesser-paid blue-collar workers. In Sweden’s traditional class system, the narrowing of economic differences by heavier taxes on the middle and upper classes would narrow social distinctions.

Palme’s efforts to create greater social and economic equality in Sweden were undertaken at a time of lagging economic growth, galloping inflation and increasing unemployment. Consumer prices, rising at an annual rate of about 6 to 7 percent, made inflation a special burden for the Social Democrats under Palme. By 1973, an ordinary beefsteak cost \$4.00 a pound, a glass of beer, \$1.00 and two apples, \$0.60.

Even before the 1971 strikes, Palme had been concerned about “the developing split” between “hard-hat” workers and the poor. The rash of strikes in 1971, encompassing some 50,000 white-collar workers on strike or locked out, was termed “the luxury strike” and “the college graduate walkout” by Swedish newspapers. Swedish economist and Social Democrat Gunnar Myrdal noted that “it’s become a class struggle with academics and civil servants seeing the lower classes creeping up on them and not liking it at all; they see the state as being unsympathetic; it’s an impossible situation.” To Myrdal, the situation was “against the whole concept of our society because it involves a strike of well-paid government employees who shouldn’t have the right to strike in the first place.”<sup>3</sup> In fact, the right to strike had only recently been granted to government employees, although the Kiruna mine workers in December, 1969, struck against LKAB, a state-owned company.

The government’s efforts to narrow economic and social distinctions between white-collar and blue-collar employees led not only to friction between the white-collar employee unions and the government but to bitterness between white-collar and blue-collar employee unions.<sup>4</sup>

The strikes and their aftermath raised many questions about the future of the politics of compromise and the welfare state under the Social Democrats. To a certain extent, Palme was personally responsible for the crisis. Although taxes in Sweden were already the highest in the world, including a staggering 17 percent tax on most consumer items, and persistent inflation had made the Swedish cost of living the highest in Europe before Palme became Prime Minister, Sweden was virtually strike-free under Erlander.

The Social Democratic party, which had originated as a Marxist party committed to the leveling of economic and social distinctions, had long since abandoned its Marxist dogma under the responsibility of governing the country. Palme, on the other hand, while not a Marxist, per se, was ideologically committed to just such leveling. Palme reintroduced a class struggle atmosphere into a society whose roots in class distinctions were accepted and fixed in the national psyche.

The results infuriated white-collar employees while raising unrealistic hopes among the blue-collar workers. Palme’s own personality seemed to exacerbate the problem; *Svenska Dagbladet*, a Conservative newspaper, characterized him, for example, as a man with “a built-in credibility gap.”<sup>5</sup> On the other hand, Palme’s left-wing critics accused him of giving ground to the industrialists at the expense of social reform. The 1971 strikes were the worst in Sweden since the industrial walkout by metal and engineering workers in 1945.

Palme was an easy and visible target to blame for the reemergence of social and economic dissent in Sweden in 1971. But the underlying causes seem to go beyond the politics and personality of any one man. Although the Swedish gross national product per capita was second only to that of the United States in 1971 and would exceed the United States by late 1973, the Swedish rate of economic growth lagged behind most of the countries that comprised the European Economic Community (EEC) in the past decade. This contributed to a deteriorating balance of trade with respect to EEC, Sweden’s major source of trade. For a country like Sweden that depends so much on exports for a high standard of living, non-membership in EEC had a direct impact on Sweden’s increasing economic problems. The rising costs of production and exports led inevitably to rising prices and subsequent strikes and inflationary wage settlements. American protective tariffs, import quotas and import surcharges made it difficult for Sweden to compensate in the United States market for the decline in terms of trade with EEC. Severely strained diplomatic relations between the United States and Sweden further discouraged increased American-Swedish trade.

Moreover, Palme’s efforts to open up higher education to Swedes from all social classes were implementing a comprehensive school reform that Sweden began planning in the 1940’s and inaugurated in 1962. The schools were to be used, not to educate for acceptance of the status quo, but to provoke social change and to restructure the country as a more egalitarian democracy. The university degree became the central element in school reform.

The growth in the number of university graduates since 1962 fueled their rising expectations of improved socioeconomic status, however, at the very time that

<sup>3</sup> *The New York Times*, February 26, 1971.

<sup>4</sup> *The New York Times*, May 18, 1971.

<sup>5</sup> *Ibid.*

Swedish economic growth and terms of trade began to decline in competition with EEC. By the late 1960's the percentage of the Swedish work force that could be classified as white-collar easily exceeded the blue-collar segment. In fact Sweden turned increasingly to foreign labor from southern Europe and north Africa to take the blue-collar jobs that native Swedes increasingly rejected in favor of a university degree and white-collar opportunity.<sup>6</sup> By their educational reform, the Social Democrats had not made the university educated, white-collar force more egalitarian-minded, it had merely become larger, more powerful and more demanding. The slowdown in economic growth in Sweden, coupled with the increasing stigmatization of blue-collar work, however, meant that not enough white-collar jobs were available for the growing number of university graduates. The Swedish unemployment rate, traditionally around 1 percent of the work force, rose to between 3 and 3.5 percent by the beginning of the 1970's and was mostly concentrated in the white-collar category. Unemployment was especially acute among teachers, many of whom had graduated from pedagogical institutes since 1962.

White-collar unemployment, coupled with higher taxes on white-collar employees, discouraged the trend of increased entry into universities of students with blue-collar origins. Such disillusionment with higher education was perhaps reinforced by the traditional blue-collar suspicion of the university as a citadel of class prejudice and a luxury reserved for the rich. By the beginning of the 1970's, university students with working class origins were still in a minority, although their families constituted the bulk of the population. Palme's efforts to implement and accelerate policies of socioeconomic egalitarian reform aggravated the awareness of existing class differences rather than resolving those differences. At a time of economic slowdown, when all groups could not continue making gains, Palme's policies helped one group—blue-collar workers—at the expense of others—white-collar workers and industrialists—and so inevitably encountered stiff resistance.

In a sense, the Swedish Trade Union Confederation's (LO) close affiliation with the Social Democrats makes Palme's efforts on behalf of blue-collar families realistic politics, but in many other respects he and the Social Democrats seem to be practicing the politics of transcendentalism. The transcendentalists in mid-nineteenth century America were visionary idealists and humanists who could not evolve a coherent political and social program to cope with the

inequities of the new industrial age; instead, they probably forestalled meaningful reform. The Social Democrats have revived the ideology of class struggle (without invoking the name of Marx), while paradoxically enlarging the white-collar university-educated class against whom their reforms are directed. Relatively heavy white-collar unemployment and anger over high taxes in effect laid the groundwork for the decline in Social Democratic electoral fortunes in 1970 and, especially, in 1973. Moreover, and even more ironically, the heightened awareness of class consciousness among blue-collar elements fostered by the Social Democrats has led to increasing resentment of the growth of government bureaucracy—still composed largely of university graduates of middle and upper class origins—and has encouraged growing worker support for the antibureaucratic Center party of Thorbjörn Fälldin.

Other aspects of the recent policies of Palme and the Social Democrats have had an air of unreality. Palme publicly focused as much of his attention on the American war effort in Vietnam—with scathing criticism of the American position—as he did on domestic problems in his 1970 campaign. Eventually, the three bourgeois parties joined the Social Democrats and the Communists in castigating the American war effort. In his book, *Inrikes Utrikespolitik*, Gösta Bohman, the Conservative party leader, contends that Palme's attacks on America's Vietnam policy were intended purely for domestic consumption to gain votes for the 1970 election.<sup>7</sup>

If Bohman is correct, Palme's anti-Vietnam campaign was politically expedient but escapist in failing to come to grips with serious economic problems affecting Sweden directly. The decline in the Social Democratic vote in 1970 might possibly have been even more severe had not Palme seized upon the Vietnam issue. Palme stated that he did not see in the election returns any disapproval of policies of his government in support of North Vietnam. In fact, he continued his criticism into 1973 even though this resulted in the United States recall of its ambassador to Sweden in August, 1972 and its refusal to accept a new Swedish ambassador in Washington in January, 1973. Ambassadors were not exchanged again until April, 1974. The political expediency of Palme's anti-Vietnam stance, however, strengthened his support among New Left elements in his party.

The quest for democratic participation as part of the larger government campaign for socioeconomic egalitarianism also has a certain transcendental quality. The anti-Vietnam campaign had a tactical political expediency even if it had no effect on shortening the war. The movement for democratic participation, however, easily translates into "mobocracy," which attacks not only elitism but also Social Democratic leadership. Blue-collar worker resentment is

<sup>6</sup> For an analysis of the problem of foreign workers and other foreigners in Sweden, see Martin Schiff, "Swedish Social Welfare Policy and the Foreign Resident," *Scandinavian Studies*, vol. 46, no. 1 (winter, 1974).

<sup>7</sup> Gösta Bohman, *Inrikes Utrikespolitik* (Stockholm: Almqvist & Wiksell, 1970).

aroused not only against white-collar workers and industrialists but also against the bureaucratic and elite leadership of LO, the Social Democratic party, and the government itself. The government is offering solutions that fail to relate to—or even exacerbate—the basic industrial and economic problems of excessive inflation, unemployment, and taxation. Socioeconomic egalitarianism and democratic participation are humanistic and idealistic goals which, given current economic conditions in Sweden, run counter to the traditional spirit of political compromise and encourage class conflict. In fact, the recent aggravation of class dissension is increasingly manifested in worker criticism of the welfare state bureaucracy that has grown, ironically, to implement social welfare programs expanded for the benefit of the worker.

The politics of transcendentalism has its counterparts in the United States in various movements comprising the New Left counterculture.<sup>8</sup> In the United States, however, such politics, for the most part, was outside the mainstream of the main parties; in Sweden, it is encouraged by the government. The class consciousness, anti-elitism and antibureaucracy feelings encouraged by government transcendentalism have made their impact in a voter transcendentalism at the polls in the 1970 and 1973 Riksdag elections.

The largest gains in the 1973 election, as in the 1970 election, were made by the Center party (formerly the Farmers' party), whose new leader, Thorbjörn Fälldin, evoked images of a simple, pastoral, non-bureaucratic life. To many Swedes, he gave the impression of being a pillar of common sense rather than a politician or a bureaucrat. The 1973 tie vote between the Social Democrat-Communist bloc, on the one hand, and the bourgeois bloc of Center, Liberal and Conservative parties on the other—the weakest showing for the Social Democrats in 42 years—still left the Social Democrats by far the largest party in Sweden, with 19 percent more of the vote than the Center party. Conservative party leader Bohman observed after the 1973 election that: "we are arguing that it is time for others to take over, but we are up against a basically conservative people who are essentially afraid of change." Yet, as Bohman failed to note, the political changes implemented by the Social Democrats were pushing voters into the arms of the bourgeois opposition.

To some extent, the decline in Social Democratic fortunes in the 1970 and 1973 elections paralleled So-

cial Democratic setbacks in recent years in Denmark and Norway. The setbacks, however, could in no way be interpreted as a rejection of the welfare state in principle in Scandinavia, where it had its origin. Although the situation varies from country to country, the general complaint appears to be that the costs of the welfare state are too high, while the efficiency of its implementation is in decline. In Sweden, the bourgeois opposition promised to administer the welfare state more cheaply and more efficiently although it never spelled out how this was to be done. When Palme appeared to answer telephone questions on a Swedish radio program a few days before the 1973 election, an unprecedented 7,500 people tried to phone in their complaints, which mostly concerned unemployment, inflation and high taxes. A significant number of complaints voiced at this time and expressed elsewhere in public opinion polls, however, related to what is often termed the "queue society," whereby such welfare state services as nonemergency medical care, provision for housing and child care facilities are not immediately available or may take years to become available.

Palme's purpose is to shake up a smooth, satisfied society. He says that "there is so much wrong. Complacency is a terrible danger. A politician shouldn't say everything's fine. He should talk about what is wrong. We in Sweden can be happy about not having the excitement of Northern Ireland or the race problem. But there is a real risk for us. You have to try to activate people."<sup>9</sup> A self-professed idealist, Palme nevertheless has had to contend with the less visionary responsibilities of governing. For example, Palme's anti-American image was badly shaken by the disclosure in a leftist magazine in the summer of 1973 that the Swedish Secret Service had cooperated with United States and Western intelligence agents on a variety of matters, and had monitored political activities in Swedish unions and political groups, including the youth wing of the Social Democratic party.<sup>10</sup> In fact throughout the American-Swedish diplomatic rift, the United States continued to provide military technology and electronics components for Sweden's air defense. These facts may have cost Palme and the Social Democrats leftist and youth votes in the 1973 election and may partially account for Center and Communist party gains. The leftist Swedish writer, Sture Källberg, has described Sweden as "the middle way that failed," and his associate, Jan Myrdal, has stated that Sweden is "heading toward widespread revolt and rebellion."<sup>11</sup> These attacks parallel, for different reasons, the rightist attacks by Bohman and author Roland Huntford.

The decline in Social Democratic voter support coincided with Palme's taking office and a recession in the Swedish economy that began in 1969. Palme's popularity showed a steady decline within the Swedish

<sup>8</sup> For an analysis of the New Left counterculture movements in the U.S., see Martin Schiff, "Neo-transcendentalism in the New Left Counter-Culture: A Vision of the Future Looking Back," *Comparative Studies in Society and History*, vol. 15, no. 2, April, 1973.

<sup>9</sup> Anthony Lewis, "A Politician Who Challenges Premises," *The New York Times*, October 3, 1969.

<sup>10</sup> *The New York Times*, January 5, 1974.

<sup>11</sup> *Intellectual Digest*, April, 1973, p. 8.



electorate and within his own party up to the 1973 election. Fälldin, in contrast, showed a sharp upsurge in popularity within both the electorate and his own party since he replaced Gunnar Hedlund at the beginning of 1971.

### THE DEADLOCK

The postelection deadlock between the two loose political blocs was a disappointment to both. The Social Democrats hoped that the end of the recession, a booming export industry and an improved economy and economic growth rate that had enabled Sweden to become first in the world in per capita gross national product would give them a margin of victory. Traditionally, in Sweden prosperity is closely related to support of the government party. Unemployment (3.6 percent), inflation and taxation, however, had also reached record levels by the 1973 election.

Palme has been able to continue to govern despite the deadlock because the bourgeois opposition cannot force him to resign on a vote of no-confidence with only half the votes. On crucial votes in which the two blocs deadlock, the issue is decided with the drawing of lots from an urn. In fact, few votes have been decided by lot because of a broad major party consensus on most policy questions and because of the split in the bourgeois bloc shortly after the election.<sup>12</sup> All parties agree that no new election will be necessary before the regular 1976 election. To Palme, despite leftist and certain youth group pressures within his party for a special election, an election is unnecessary as long as the Riksdag is able to function and to implement the basic Social Democratic party program. He governed with the increasing support of the Liberal party as divisions within the bourgeois bloc deepened throughout 1974.

In the initial confusion created by the deadlock, some questions in the Riksdag reportedly were decided by legislators pushing the wrong roll call buttons by mistake. The Liberal party was unable to maintain traditional Swedish partyline discipline in the Riksdag. The government had to compromise with the Liberals and the Center party on many questions.

The procedure of compromise to gain consensus was institutionalized after discussions between the Social Democrats and the bourgeois parties at Haga Castle in mid-May, 1974. In the so-called "Haga Agreement," which was openly rejected by the Conservative and Communist parties, the Social Democrats and Liberals declared their intention to cooperate on policy questions. After May, 1974, and, presumably, until the next regular election in the fall of 1976, the Social Democrats could count on their own 156 votes in the Riksdag, plus 34 Liberal votes, giving them a clear majority of 190 votes out of 350

without counting the 19 Communist votes that could be expected to support them. The essential policy content of the Haga Agreement was Palme's willingness to forego the transcendental programs of his 1973 campaign and to concentrate on bread-and-butter issues, stimulating employment, raising pensions and lowering taxes and prices. The problem of a Riksdag deadlock will disappear in the 1976 election because of a constitutional change to decrease the number of Riksdag members from 350 to 349.

The splintering of the bourgeois bloc was caused by the catastrophic electoral setback of the Liberals as well as the relatively poor showing of the Social Democrats. After the election, the Liberals emerged as the weakest of the bourgeois parties with little negotiating leverage with their partners. The Liberal party's overtures to the Center party about a possible merger after the election were reportedly rebuffed; thereafter cooperation between Social Democrats and Liberals increased. The culmination of that cooperation in the Haga Agreement is still far short of a formal merger. There is strong resistance in the hierarchy of each party organization to formal merger because the result would decrease the power of party bureaucrats in each party.

The Liberals, who gained only 10.3 percent of the vote in the September, 1973, election and fell to 6.5 percent in public opinion poll preferences in the first half of 1974, recovered to 8.0 percent in the aftermath of Haga. It was anticipated that Liberal party voters would shift to other bourgeois parties as a result of Haga. The 8.0 percent figure generally held through the autumn of 1974, as the Liberals more than compensated for the loss of many of their regular voters (especially from management) by gaining new voters from all parties. The new orientation of the Liberals (which is both a cause and an effect of the approximately 50 percent turnover in voter preferences regarding them one year after the election) makes them, however, least prepared for a rigorous election campaign. Thus Liberals are strongly inclined to cooperate and vote with the Social Democrats to avoid a stalemate in the Riksdag that could bring a new election. A new election would also probably be disastrous for the Liberal party leader, who has less support than any other party leader among his party rank and file.

*(Continued on page 136)*

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<sup>12</sup> *Dagens Nyheter*, April 1, 1974.



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“... the FRG remains financially the strongest state in West Europe, with its sound currency, its huge monetary reserves, and a favorable trade-and-payments balance.”

# The Political Economy of West Germany

BY GERARD BRAUNTHAL

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IN THE 1970's, most industrial nations have faced serious political and economic crises. Compared to other states, the Federal Republic of Germany (FRG) has had relative tranquility and stability, although it too has not been entirely spared. In 1974, for example, a spy scandal rocked the nation; Willy Brandt resigned suddenly as Chancellor, and inflation and unemployment left their imprint.

A brief review of events on the political stage in past years will be helpful. In 1969, Willy Brandt and his Social Democratic party (SPD) formed a coalition government with the numerically small Free Democratic party (FDP), shoving the Christian Democratic Union/Christian Social Union, the governing party since 1949, into the unaccustomed role of loyal Opposition. As Chancellor, Brandt initiated a number of domestic reforms, vigorously supported a stronger European Economic Community, and made rapid progress in his policy of détente vis-à-vis the Communist East. He concluded a basic treaty with the German Democratic Republic (GDR, East Germany), in which both states all but established diplomatic relations, and treaties for a mutual renunciation of the use or threat of force with the Soviet Union and several East European countries, for which he won the 1971 Nobel Peace Prize.

A by-product of this *Ostpolitik* was the resignation of a few government deputies in the Bundestag (Lower House) who were not in accord with it, and who in all but one case were then welcomed by the Opposition to its ranks. As a consequence, Brandt lost his parliamentary majority and had to call for a new national election, one year prior to the regularly scheduled end of the parliamentary session. The fall 1972 election, however, proved a smashing success for the SPD and FDP, which received 54 percent of the vote and a safe majority of 46 seats in the Bundestag. Brandt viewed the vote as a vindication of his foreign and domestic policies.

In domestic policy, in his 1973 “state-of-the-union” message, Brandt promised to speed up the slow pace of reforms. He called for tax, social welfare, land

and educational reforms, environmental protection, and legislation to aid workers. Thus, he planned to introduce bills into Parliament providing workers with an opportunity to receive company shares (a form of profit-sharing) and to participate on an equal basis with representatives of management in making policy on the boards of directors of medium-sized and large firms (known as codetermination).

As early as 1951, the German Trade Union Federation had achieved codetermination in the coal, iron and steel industries, but one year later it had gained only partial codetermination in other industries. Since then, it has lobbied for legislative support for full codetermination as a way of introducing a further dose of industrial democracy into all corporate executive chambers. In early 1974, after lengthy bargaining between SPD and FDP ministers, the Cabinet approved a codetermination bill. The Bundestag has delayed passage, because many SPD deputies are not in accord with the compromise bill, especially with one FDP-generated clause calling for a middle management representative to be part of the workers' group on the corporation boards.

This party dispute typifies the latent tension that exists between the coalition partners on issues where ideology still plays some role. In this instance, the FDP deputies dependent on electoral support from the middle class wanted to restrict the power of workers in management decisions, while the SPD deputies dependent on electoral support from the workers wanted to expand such power.

In foreign policy, Brandt sought to consolidate his gains in the *Ostpolitik*, but encountered difficulties in his attempt to normalize relations with Czechoslovakia, Hungary and Bulgaria over the perennial and thorny Berlin question. The three governments, supported by Moscow, insisted that diplomatic relations could only be established if the FRG dropped the demand that its diplomatic representatives in East European consulates act on behalf of West Berlin institutions, especially the courts and private companies. The Communist states argued

that the 1971 four-power accord on the divided city of Berlin refers only to the right of Bonn to represent Berlin residents. The Brandt government did not dispute this interpretation, but viewed the Communist position as an attempt to weaken once again the link between the FRG and West Berlin. After further negotiations in 1973, the East European governments and the FRG concluded treaties to establish relations with one another, without having solved the Berlin question.

In October, 1973, another breakthrough occurred on the international scene when the United Nations finally admitted both German states as new members. Years earlier, the West German government had not been eager to join, because it wanted to keep the East Germans out, but détente had produced a shift in position.

### POLITICAL DIFFICULTIES

While the Brandt government moved ahead haltingly to implement its foreign policy and domestic reform program, the Chancellor ran into a number of roadblocks in late 1973 and early 1974. Within his own party, there were power struggles and rumbles of discontent. Herbert Wehner, head of the SPD parliamentary group (*Fraktion*), created a political storm when, on a visit to Moscow, he took issue with his government's foreign policy by asserting that Bonn had "pushed too hard" for Soviet concessions on West Berlin. In addition, the Young Socialists, the party's articulate and often Marxist-oriented group of 300,000 members under 35 years of age, clashed with their elders on a number of occasions. They supported the metal workers' wildcat strikes, which had not been authorized by the union. Brandt denounced their support since it produced tension between the SPD and the Federation of Trade Unions, most of whose leaders and members were SPD adherents. The Young Socialists also demanded a fundamental restructuring of the capitalist economy rather than domestic changes, a proposal rejected by the more conservative leadership. A discomforted Brandt knew that the CDU/CSU would exploit this rift within the SPD for its own political purposes, thereby weakening the SPD appeal to the electorate.

Brandt's often depressed and melancholy moods during those months may have been triggered also by the fact that he had achieved his main objective—a détente with the Soviet Union—and could neither expect to get the stalled movement toward a united West Europe going again at full blast, nor move quickly on domestic reforms. He did not exhibit strong leadership and toughness in the face of difficulties in the economic arena and fissures among the governing parties. These multiple problems led to a set of reverses for the SPD in a number of important state elections.

The precipitating cause for Brandt's sudden resignation on May 6, 1974, however, was the Guillaume spy scandal that broke on April 24. Günter Guillaume, a secret agent of the GDR who had made his way up the SPD ladder, had been appointed by government officials to the Chancellor's office in late 1969, and to Brandt's personal staff as assistant for party affairs in February, 1973, after security clearance. When officials received tips in the summer of 1973 that he might be a possible spy, they urged Brandt to retain Guillaume on his staff in order to uncover other agents. Strangely enough, Guillaume was able to see highly classified documents on at least one occasion. Finally, in April, 1974, West German security agents decided Guillaume presented too high a risk and arrested him.

Accusations and counteraccusations flew in Bonn political circles about the responsibility for this debacle, and stories of Brandt's private life were added. The Chancellor subsequently assumed sole responsibility for the Guillaume affair and resigned his post, although remaining chairman of the SPD.

Thus one era in West German politics came to a dramatic end. A Chancellor with charismatic appeal—he was likened at times to John F. Kennedy—was succeeded on May 16 by a more decisive Helmut Schmidt, former SPD *Fraktion* (parliamentary group) leader, defense and finance minister.

As Schmidt formed a new SPD-FDP Cabinet, with many old faces and a few new ones, he intended to continue the policies of his predecessor, although with a shift in accent. In a statement of government policy, he emphasized economic and financial policies, with less attention to other foreign and domestic matters. His main concern was to provide for economic stability in order to maintain political stability. In order to dampen high expectations, he dropped a few of Brandt's domestic proposals, such as workers' capital accumulation, because they would entail too many administrative expenses.

His record as Chancellor so far shows that he has moved with speed and resolution to consolidate his power, and to cement the Atlantic Alliance. He has emerged as a statesman and conciliator on the international front. In late 1974, he attempted to mediate a dispute between the United States and France on their differences over energy policy, and between Great Britain and France over the renegotiation of Britain's membership in the Common Market. But progress has been slow, and criticism from foreign sources has arisen.

For instance, Schmidt's temporary rejection of higher Common Market agricultural subsidies, which would have especially helped the French farmers, did not endear him to the French, one of whom dubbed him "Charles de Schmidt," in honor of de Gaulle's obstructionist tactics. When Schmidt killed

an Arab oil-producing countries' proposal to extend a sizable loan to West Europe, another critic charged him with leading West Germany's "first Social Democratic junta."

The Chancellor has not escaped domestic criticism either, partly because of his style of leadership and lack of overt ideological commitment. He exudes an air of authority and toughness in his pursuit of pragmatic short-range objectives. While these characteristics and policies have been welcomed by many, if not most Germans, they have alienated a sizable number of left-wing supporters in his own party. The Young Socialists accused Schmidt of governing "without the party—by plebiscite," after he had accused them of busying themselves too much with the "crisis of your own brains instead of the economic conditions with which we have to deal," and of being about to "preach the church empty."

The cause of Schmidt's critique, which reflects his right-wing and hard-line position within the SPD, is due to a profound disagreement with the ideological views of the Young Socialists. He considers the defection of so many voters who supported the party in 1972 but turned to other parties in the Hesse and Bavarian elections of late 1974 as further proof of the damage done by the Young Socialists at the local and regional levels, where they had taken radical positions.

While the Chancellor has to cope with one faction within his own party, he cannot neglect the Cabinet's junior coalition party. If the SPD expects to score another electoral victory in the 1976 election and to form a new government, it will need the support of the FDP. The SPD can never be assured of automatic support, because the FDP conservative wing, still committed to an espousal of individualism and minimum government interference in a laissez-faire economy, has a slight edge over the liberal wing, which is more sympathetic to many SPD objectives.

Walter Scheel, foreign minister under Brandt, headed the FDP until he became President of the FRG in 1974. The party chose as his successor Hans-Dietrich Genscher, who had become foreign minister in the Schmidt government. Genscher belongs to the conservative wing of the party, but has committed himself to a continuation of the SPD-FDP coalition after 1976 as long as both parties maintain their policy of social reform.

In coalition politics, the junior partner must maintain a separate identity and political profile in order to appeal to one segment of the electorate. For the

FDP, this role has meant treading precariously between the SPD and CDU/CSU giants. When Brandt was in power, the FDP claimed that it served in the Cabinet as a check on what it considered socialist dogmatism, but when the pragmatic Schmidt took over the reins of government such a claim sounded even less believable. Worried again that it may not receive more than five percent of the vote in the 1976 election (the minimum needed for representation in the Bundestag), the party has emphasized its initiatives in reform legislation and the protection of individual rights.

Since the SPD-FDP government has pursued policies in the domestic and foreign policy spheres that are generally supported by the population, in its parliamentary opposition role the CDU/CSU has had difficulty in presenting viable alternatives. The difficulty is compounded by infighting on social and economic legislation between a pro-labor and a pro-business wing.

No less worrisome to the party has been its failure to solve its leadership problem. It has not yet chosen a Chancellor candidate who would be a match for Schmidt in the 1976 election. None of the three present leaders, CSU chairman Helmut Kohl (Minister-President of Rhineland-Palatinate), *Fraktion* chairman Professor Karl Carstens (a former head of the Chancellor's office), and CSU chairman Franz Josef Strauss, seems to have the magnetic appeal such a post demands. While Strauss is the undisputed boss of the CSU—the Bavarian affiliate of the CDU—he has been too contentious a figure to serve as a national leader of the CDU and CSU. Enjoying the role of kingmaker, Strauss thinks little of Kohl as the Chancellor candidate: "Herr Kohl is an extraordinarily successful Minister-President. He himself must recognize where his limitations lie."<sup>1</sup> One national newspaper, while praising Kohl's talent for forcing compromises in the party and displaying human warmth, also has reservations about Kohl. "How will he [Kohl] stand in the battle against the electrically charged ringmaster of the economy, Helmut Schmidt, who strikes with the speed of lightning and who often hits the mark to within a centimeter?"<sup>2</sup>

Should the party not come up with an appealing and strong candidate, its chance of winning in the 1976 election is dim, unless the government is blamed for the effects of the economic crisis. As recent state elections show, the SPD and FDP have reason to worry.

## ECONOMIC PROBLEMS

Since 1973, the government has been especially concerned with inflation, unemployment, and the energy situation. Although the 7 percent rate of inflation and an unemployment rate of 2.3 percent in 1973 were less than any other industrial state (and a for-

<sup>1</sup> *Die Zeit*, October 18, 1974.

<sup>2</sup> *Frankfurter Allgemeine Zeitung*, October 18, 1974. A number of commentators suggested Gerhard Stoltenberg, Minister-President of Schleswig-Holstein, deputy CDU chairman, and economist, as a Chancellor candidate, but viewed his lack of appeal in southern Germany as a liability.

ign exchange reserve of \$27 billion was higher than any other industrial state), clouds of uncertainty loomed on the horizon. Well aware of the traumatic effects of the catastrophic 1923 inflation, the Brandt government launched an anti-inflationary program to prevent a runaway inflation in early 1973—getting a headstart over other nations. The program included penalties on corporate investments, a surtax on high private incomes, cuts in government expenditures, credit restrictions, and an imposition of high interest rates. As a result, consumer borrowing plummeted, savings increased substantially, and inflation held at 6.9 percent.

Even though prices did not rise by more than 6.9 percent, wages often did not increase proportionately. Hence, in August, 1973, wildcat strikes broke out in the metal-working industry, and in February, 1974, strikes were called by the public service workers. The latter demanded a 15 percent wage boost, but called off the strike after the government granted them 11 percent. This wage settlement led to a general round of further price and wage increases in the spring.

Unemployment has risen but, in contrast to the United States, not across the board. There has been a boom in such export industries as ships, chemicals, machines and other engineering products, creating high employment and a foreign trade surplus of several billion dollars. Workers have been laid off in industries such as motor vehicles, building construction, and, to a lesser extent, textiles, which have suffered from structural difficulties or from the government's anti-inflation policy. Most of the automobile industry, except for diesel-powered cars and trucks, has experienced a slump because of a drop in exports, the energy scare, and the increase in gasoline prices. On a number of occasions, the industry has had to shut down plants to reduce the high inventory. In a similar slump, the construction industry, which could build 700,000 housing units per year, has seen its orders drop to 400,000, primarily because of high mortgage rates.

While unemployment stood at 332,000 of the total labor force in November, 1973, one year later there were 800,000 unemployed, 3.5 percent, one of the highest figures in the postwar era. Government officials and economists expected unemployment to peak at 1 million in the winter of 1974-1975, and then to decline moderately. In addition to those without jobs, in late 1974 another 460,000 were working a short work week or were temporarily laid off. On the other hand, in the same period, close to 250,000 job vacancies were not filled, primarily because they required skills not possessed by the unemployed.

A state-administered unemployment insurance fund into which employers and employees make contributions eases the financial plight of the unemployed who will be able to receive benefits for a period of

one year (extended to two years in late 1974). Thereafter, they are entitled to welfare payments.

The 2.4 million foreign workers, who represent more than 10 percent of the labor force and who come primarily from southern Europe, have been specially hard hit by unemployment. For instance, more than 4 percent of the Italians and Greeks in Germany cannot find positions. In an attempt to cut its sizable labor force, the Volkswagen firm has offered bonuses ranging up to \$3,500 for any worker who resigns. Many unskilled foreign workers in Volkswagen and other firms, wary of employment prospects in Germany, are returning to their native lands, where the chance of a job is even dimmer. Since the end of 1973, the government has banned any immigration of foreign workers and has begun to crack down on the several hundred thousand who entered the country illegally in recent years.

To meet the long-range implications of the energy crisis, the government asked the steel producers and power companies generating electricity and heat to convert some of their facilities from imported oil to the plentiful German-mined coal. It also formed a giant national energy concern by acquiring shares in a large private oil firm and merging it with a power company. In addition, the government envisages the construction of ten new coal-fueled power plants in the next several years (it will ban new ones run on oil); greater expenditures for energy research, including the liquefaction and gasification of coal; the exploration of new sources of fuel; more effective use of available energy; and acceleration of a nuclear energy program for power production in order to boost nuclear energy from 1 to 15 percent by 1985 (to the dismay of environmentalists). An emergency stockpiling of coal and underground storage of oil in salt mines are now being implemented.

The government is encouraging the exploration of natural gas fields in West Germany and new oil fields in the North Sea. Plans are under way to build a natural gas pipeline from Iran through the Soviet Union to the FRG, and to import electricity from the Soviet Union and Poland. Natural gas is to be imported from Norway and Algeria, and a German-Soviet nuclear power plant is to be built near Kaliningrad to supply power for West Berlin and the FRG.

While the German government was busy working

(Continued on page 137)

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*"... there can be no doubt that Britain now faces the most serious challenge in her recent history to her survival as a liberal democracy."*

## Britain Tomorrow: Business as Usual?

BY MICHAEL R. HODGES

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MORE OPEN THAN USUAL read the sign outside a store on London's busy Oxford Street shortly before Christmas, 1974, after its windows had been shattered by an Irish Republican Army (IRA) bomb. The wit and determination implicit in that placard were reminiscent of the spirit that had enabled Great Britain to survive during World War II, but it is doubtful whether many of the British today would deny that Britain's prospects for the years ahead are indeed gloomy. The United Kingdom has gradually shed its pretensions as a global power, and has been a member (albeit an unenthusiastic one) of the European Economic Community (EEC) for two years. Yet it has still not found a new sense of purpose that would enable it to come to terms with its past and solve the problems that bedevil its future.

The shock waves of a worldwide recession and the quadrupling of oil prices in 1974 placed further strains on an economic and social structure that is in urgent need of modernization. And the IRA bombs (which have caused extensive damage and the loss of over 40 lives in London, Birmingham and elsewhere during the past year) were a grim reminder that the "Irish problem," a hardy perennial of British politics for the past four centuries, is yet to be solved. Nineteen seventy-four was not a vintage year for Britain; it marked the centenary of Winston Churchill's birth, but it was also the first time in over 60 years that the political situation had necessitated two general elections in the same year. Although many newspapers drew unflattering comparisons between the leadership skills of Churchill and Britain's present political elite, it is doubtful whether even a leader of Churchill's stature could make a significant impact on the problems that Britain faces today. Unlike Britain's "Finest Hour" in 1940, there is today no concrete and easily definable enemy against whom the British could unite. There are only the hydra-headed monsters of recession and inflation, which are steadily eroding living standards and engender-

ing increased conflict over the distribution of resources among the various groups in British society.<sup>1</sup>

One particularly important aspect of the popular mood of quiet desperation was a feeling that Britain's political leaders were incapable of doing more than mouth empty promises and pious hopes for a rosy future; less than half of those interviewed for a public opinion poll at the beginning of 1974 thought that the leaders of the two major political parties, Conservative and Labour, were satisfactory. Prime Minister Edward Heath, the Conservative leader, had headed his party since 1965 but had failed to capture public enthusiasm because of a rather cold and arrogant personality. Harold Wilson, leader of the Labour party since 1962 (and Prime Minister from 1964 to 1970) had a reputation as a schemer and trimmer, and his unwillingness to acknowledge the errors made by the Labour government during its period of office gave him a somewhat hypocritical image. Both leaders sprang from the same technocratic mold, both were in firm control of their respective parties, and in the public mind both were (unfairly) considered to be exhausted volcanoes.

This lack of popular enthusiasm for the two major party leaders also extended to the political system as a whole; Westminster and Whitehall were considered by many to be remote and unresponsive, and as the British economy began a sharp downward slide at the end of 1973 many groups began to take direct action to satisfy their demands. The Royal Commission on the Constitution, headed by Lord Kilbrandon, recommended some form of devolution of power from Westminster to regional assemblies in Scotland and Wales (on the lines of the arrangements that already existed for Northern Ireland). But although this might have dampened the ardor of those wanting complete independence for Scotland and Wales, it would not have eased the widespread dissatisfaction of the various groups within British society (social classes as well as regions) with the remoteness and unresponsiveness of the British system of government and representation.

In an attempt to control inflation, which was at that time approaching ten percent, Conservative

<sup>1</sup>For more background information on the sources of these problems, see *Current History*, March, 1974, a special issue on "Great Britain 1974."

Prime Minister Edward Heath had (in an abrupt reversal of previous policy) introduced statutory control of incomes in November, 1972. Because prices were less strictly controlled and, indeed, for imports (more than half of Britain's food and most of her raw materials) could not be controlled at all, many occupational groups stepped up their campaigns to obtain wage increases beyond the statutory limit—seven percent after November, 1973—both to compensate for inflation and to improve their pay relative to other groups. Certain groups of workers, and particularly those belonging to strong trade unions, did not share Heath's view that the incomes policy was "firm and fair," because the fringe benefits enjoyed by company executives were not so rigidly controlled and because increases in food prices hit the working classes hardest, in view of the fact that they spent a greater proportion of their income on food.

The coal miners, traditionally a militant group, decided to capitalize on their increased importance as a result of the energy crisis and pushed for a pay increase of over 30 percent, far in excess of the seven percent statutory limit. Britain imports less of her total energy requirements than many of her industrial competitors including Germany, France and Japan, and by the mid-1980's she expects to be a net exporter of oil from her North Sea fields. Nonetheless, the effects of the dramatic increase in oil prices at the end of 1973 (coupled with the seasonal rise in energy requirements as winter approached) made the British economy particularly vulnerable to threats by the miners to reduce or even halt coal production. Consequently when the miners banned overtime working in November, 1973, the Conservative government declared a state of emergency (the fourth since 1970 and the eighth since 1945) and restricted the use of electricity for heating and lighting in stores and other public places.

When electricity engineers and railway drivers also began industrial action in support of their pay claims, the Conservative government decided to conserve energy rather than give in to the pay demands of the disaffected unions, and in December, 1973, industry and commerce were allowed only three days of electricity each week. The economic consequences were serious. Unemployment doubled to five percent during the last week of December as factories closed down. A bitter atmosphere of confrontation between the Conservative government and the miners developed, with Heath asserting that the National Union of Mineworkers (which had several Communists on its national executive) did not want a settlement of the coal dispute, but rather wanted to "smash the incomes policy and get rid of the elected government of the day."

Undeterred, the miners voted overwhelmingly to

reject an improved pay offer of 13 percent (already well beyond the statutory limit, but justified as a "special case") and to go on strike. On February 7, 1974, Heath announced the dissolution of Parliament and the holding of a general election on February 28, the shortest campaign period in 40 years. The election platforms of each party showed signs of hasty preparation, but the main issue was the industrial unrest that was crippling the British economy. The Conservative manifesto stated the issue in almost Leninist terms, asking whether the country should be run by the elected government or by powerful trade unions, and alleging that the Labour party had been taken over by its extreme left wing, backed by "a small group of power-hungry trade union leaders, whose creature the Labour party has become."

The Labour party, campaigning under the slogan "Back to Work with Labour," accused the Conservatives of provoking a confrontation with the unions, and of needlessly introducing the three-day working week in order to foment popular resentment against the miners. The Labour manifesto pledged to get the miners back to work, to repeal the restrictions on collective bargaining imposed by the Conservatives in the Industrial Relations Act, to impose price controls, to extend public ownership in North Sea oil, aircraft and ship construction, and profitable industries such as pharmaceuticals, to introduce a wealth tax, and to seek a "fundamental renegotiation" of Britain's terms of entry into the EEC that would be submitted to the electorate for approval or rejection in a referendum or general election.

The Liberal party, which had been making strong progress in the opinion polls as a result of popular disaffection with the two major parties, but which had only 11 M.P.'s in the last Parliament, portrayed itself as the only party which could unite all classes and which could avert the "crisis caused by the type of policies which employ short-term, instant cures, but which leave behind more problems than they solve; politics which are partisan, dividing and polarising the nation into confrontation between classes." It was true that the Labour party had strong formal links with the trade unions (and had in fact been created by them to represent working class interests at the turn of the century), and that the Conservatives had close ties with industry and commerce. Yet both major parties were quick to point out that the Liberals had not formed a government since 1910; they called for a decisive show of electoral confidence in the tried and tested skills of their respective leaders.

Whether the major issue of the campaign—"Who whom?" as Lenin would have said—was a trifle too bald for the electorate is hard to say, but despite the crisis atmosphere the campaign itself failed to capture

the imagination of British voters. Indeed, the result of the February 28 election was the most indecisive in British political history, and constituted a vote of no confidence in both the Labour and Conservative parties. The Conservatives had enjoyed an overall majority of 16 in the previous Parliament, but as the election results came in it became clear that Heath had not received the resounding vote of confidence he had requested for his Conservative government.

Although more people voted in the election than had voted in the previous one in 1970 (78 percent as against 72 percent), no party had an overall majority in the new House of Commons. The Conservatives had 296 seats to Labour's 301, and had lost support to the Liberals, Scottish Nationalists and Welsh Nationalists (Plaid Cymru), who now had enough seats to deny either Labour or Conservatives a majority. Harold Wilson, the leader of the Labour party, ruled out a coalition government and offered to form a minority government; after four days of abortive attempts by Heath to woo the Liberals into a coalition with the Conservatives, the Conservative Prime Minister tendered his resignation to the Queen, on the grounds that he had not received the clear mandate he had requested, and that the serious economic situation demanded a new administration.

Harold Wilson therefore became Prime Minister for the second time, after four years in opposition, and within a week the minority Labour government had authorized a 30 percent rise for the miners, who ended their strike and thus enabled the new administration to conclude the state of emergency. The three-day working week had cost an estimated \$5 billion in lost production in the 10 weeks it had been in effect, but the major surprise was that industrial output had only fallen by 20 percent (not 40 percent as had originally been feared), largely because of a high degree of cooperation between workers and management to keep production going. This was an indication that in many industries labor relations were better than the news headlines would have one believe. Nevertheless, the economic situation was indeed serious: Britain's balance of payments deficit for 1974 was a projected \$9 billion, almost ten times the deficit that had forced the Labour government in 1964 to impose a 15 percent surcharge on imports, to cut public spending, and to seek loans from the International Monetary Fund to support sterling.

Although two-thirds of this unprecedented balance of payments deficit was due to the quadrupling of oil prices since 1973, and was therefore a problem only for the short term until oil from the North Sea could be brought ashore in significant quantities (six or

seven years hence), it compounded the problem of reducing inflationary pressures in the British economy. With inflation approaching 20 percent in 1974, and possibly 25 percent or more in 1975, the prestigious Hudson Institute forecast that by 1980 the United Kingdom would have one of the lowest standards of living in the industrial world, with inflation far outstripping the one or two percent growth rate forecast for the economy.<sup>2</sup> Even if the government were to improve Britain's terms of trade by allowing the parity of sterling to sink gradually (and this would be only a marginal source of improvement, since imported food and raw materials would cost more), the advantage would be swallowed up by rampant domestic inflation. In any case, it was doubtful whether the other industrialized countries would be willing to increase their demand for British exports (and thus permit export-led growth in the British economy) at a time when all were struggling with a virulent combination of recession and inflation.

The new Labour government was therefore forced to make drastic cuts in overall public expenditure and to borrow heavily overseas in order to finance the balance of payments deficit. The proposed third airport for London was abandoned; the Concorde supersonic airliner and the Channel Tunnel project hung in the balance, and defense expenditure was heavily pruned; and indirect and direct taxes were increased to pay for rises in pensions and social security benefits and to provide subsidies for certain key foods. For political as well as economic reasons (Wilson had never been an ardent European, and at least one-third of his Cabinet were opponents of British membership in the EEC), the Labour government took active steps to renegotiate Britain's terms of entry into the EEC as it had pledged to do in its election manifesto.

Although in December, 1973, the Copenhagen Summit of the EEC Council of Ministers had agreed to set up a regional development fund from which Britain would benefit substantially—with Italy, Britain shared the dubious honor of having some of the most economically underdeveloped regions in West Europe—the Labour government had several substantial objections to the terms of entry that its Conservative predecessor had obtained from the EEC in 1972. The Community's Common Agricultural Policy prevented Britain from buying food from cheaper non-Community sources, particularly the Commonwealth, and the position of Britain as a major importer of food and raw materials meant that the British contribution to the Community budget (partly a direct contribution, and partly a fixed percentage of tariff revenues) would by 1980 be almost twice Britain's share of the Community's gross domestic product. In other words, Britain would eventually be paying more than her fair share toward

<sup>2</sup> *The United Kingdom in 1980: The Hudson Report* (London: Associated Business Programmes, 1974).

the costs of maintaining the EEC programs. Moreover, the Community's aspirations to economic, monetary and eventually political union would seriously impair the Labour government's autonomy in pursuing effective regional, industrial and fiscal policies.

This was the argument that the British Foreign Secretary, James Callaghan, put to his European colleagues in the Council of Ministers in April, 1974, and in general he received a sympathetic and favorable response to his request for renegotiation. Indeed, partly as a result of British initiatives, the Common Agricultural Policy began to restrain price rises in agricultural commodities, and Britain was given permission to buy quantities of cheaper Commonwealth sugar cane instead of the more expensive European beet sugar. Although the renegotiation of the terms of Britain's EEC entry has yet to begin in earnest, it would appear to have good prospects—if only because the other eight member states of the Community are anxious not to aggravate Britain's economic problems and thus perhaps even precipitate her withdrawal from the EEC. The Labour government has now pledged to complete the renegotiation by October, 1975, and to present the resulting terms to the British electorate for a binding referendum vote (the first in British political history) on whether or not Britain should remain a member of the EEC. Current opinion polls suggest that a majority of the electorate would approve EEC membership for Britain if the terms were renegotiated, although this is a very recent reversal of a previous trend of prevailing apathy and hostility toward the EEC, and much may depend on Britain's economic situation in 1975.

Another problem for the Labour government in 1974, and probably for years to come, was the steadily deteriorating situation in Northern Ireland, which had been racked by violence for almost five years and had already accounted for more than a thousand violent deaths. In January, 1974, a new Northern Ireland Executive had been established, as had been proposed in the Sunningdale Agreement of the previous month, in order to give the Catholics of Northern Ireland an opportunity to share decision-making power with the Protestant majority. Although this was welcomed by most of the Ulster population as an end to two years of direct rule from Westminster (a measure undertaken after the Derry massacre of March, 1972, when the power of the Northern Ireland government at Stormont was revoked by Westminster), it became clear that many Protestants saw power-sharing as the thin end of the wedge for Ulster. Their fear that Ulster might one day be absorbed by the predominantly Catholic Republic of Ireland led many Protestants to reject the principle of power-sharing. After tumultuous scenes in the new Ulster Assembly and a two-week strike by Protestant workers in May, 1974 (which brought

life in Northern Ireland to a halt), the Northern Ireland Executive collapsed and the British government suspended the Ulster Assembly.

The collapse of the Sunningdale Agreement, and the enormous drain on British resources of maintaining a military presence in Ulster and restoring public services after IRA attacks (at a cost of over \$1 billion in 1974) presented insurmountable problems for the Labour government, which shared with its Conservative predecessor a commitment to maintaining Northern Ireland as an integral part of the United Kingdom unless and until a majority of its population decided voluntarily on an alternative. In July, 1974, the British government proposed that elections should be held for a new constitutional convention to consider what provisions for the government of Northern Ireland would be likely to command the most widespread acceptance throughout the Ulster population. But the prospects for such a convention (planned for the spring of 1975) do not appear to be very bright.

During 1973 and 1974, the IRA had extended its campaign of terror to the British mainland, in an attempt to force the British government to remove troops from Ulster and to release suspected members of the IRA in Ulster. IRA bombs exploded in London in the Parliament Building at Westminster, the Law Courts at the Old Bailey, the Tower of London, and in busy shopping streets. Elsewhere, pubs frequented by British soldiers and even a bus taking their families on leave were bombed. In November, 1974, two bars in Birmingham were bombed by the IRA and 21 people were killed (the largest death toll in any such incident since the Fenian bombings in Britain over a century earlier), forcing the British government to rush legislation through Parliament proscribing the IRA as an illegal organization and giving the government power to exclude aliens (and even United Kingdom citizens with less than 20 years residence) if they were suspected of terrorist activities. The police were empowered to hold terrorist suspects for up to seven days before preferring charges.

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## EUROPE AND THE OIL CRISIS

*(Continued from page 100)*

ministers contented themselves with asking the commission to prepare proposals on those issues that remained controversial, including the relations with importing and exporting countries, the organization of the Community oil market, the promotion of nuclear power, the role of coal and natural gas, the more economical use of energy, and the development of alternative sources.

When the acute petroleum crisis eventually set in, the Community was almost caught by surprise and was obviously ill prepared. The reaction in Brussels focused on the elaboration of instruments to obtain better economic information and on defensive measures to keep the Community's oil market functioning. During the concluding months of 1973, the commission submitted proposals to this end to the council. The council, however, "did not see fit to make a decision at that time on these proposals."<sup>5</sup> November passed; the Community continued to study the repercussions of the crisis, but in fact waited for word to come from the conference of heads of state or government scheduled for mid-December. There was hope that the Copenhagen "Summit" would bring a European *réliance*. Instead, four Arab foreign ministers virtually "hijacked" the conference.

In a special statement on energy policy attached to the general communiqué, the "Summit" instructed the council to adopt immediate measures: "which will enable the Commission to establish by 15 January, 1974, comprehensive energy balance sheets," and to report on this basis on: "all present or foreseeable repercussions of the energy supply situation on production, prices and balances of payments, as well as on the development of monetary reserves." In due course, the commission was to present proposals to the council for action: "in principle before 28 February, 1974, to ensure the orderly functioning of the common market for energy." The council was further asked to encourage the reduction of energy consumption in the member states and to "adopt a comprehensive Community programme on alternative sources of energy." Finally, the heads of state and government underlined the importance of negotiations with the exporting countries: "on comprehensive arrangements comprising cooperation on a

wide scale for the economic and industrial development of these countries, industrial investments, and stable energy supply to the member countries at reasonable prices."

In its reply, the commission pointed out that its proposals to: "ensure the orderly functioning of the common energy market" would be: "largely based on the studies it has already carried out and the proposals it has already put before the Council." Other positions "that the Commission has constantly upheld" were the pressure for a European uranium enrichment capacity and for cooperative agreements with the oil producer countries.<sup>6</sup>

On January 18, 1974, the commission gave the council a second set of six proposals that were a program for emergency action.<sup>7</sup> A separate memorandum dealt with the relations between the Community and the producer countries.

At the end of January, the council adopted Regulation (EEC) Number 293/74 that authorized the commission to collect information necessary for the energy balance sheets on a quarterly basis. The data was to cover imports, exports, production, intra-Community trade and stocks of petroleum, petroleum products, natural gas, and similar information about electricity. However, the provisions of this regulation were apparently of a supplementary nature, since the first energy balance sheet had already appeared on January 14, 1974. It covered the last quarter of 1973, and gave estimates for the first three months of 1974. The introduction to the balance sheet noted that the provision of statistics by member states varied between "fairly complete returns by some countries and a notable lack of information by others." There was not sufficient information about energy consumption, and with regard to finances: "the provision of data was the exception rather than the rule."<sup>8</sup> A couple of weeks later, the commission completed a confidential report on the petroleum exports and imports of the original six member states, and indicated the origin of imports into each of the six countries.

The retreat of the producer countries from their original plan to curtail production by 25 percent made the second set of commission proposals less urgent. The United Kingdom and France were on the list of "friendly countries," and the international oil companies engaged in some of the emergency "oil sharing" that the Community and the OECD were supposed to do. The council remained inactive, and in a reply to a parliamentary question<sup>9</sup> it admitted on May 8, 1974, that it had examined the proposals in the session of April 1 and 2, but had been unable to reach a consensus. On May 13, the commission withdrew five of the six proposals, namely, those dealing with intra-Community trade and exports of petroleum products to non-member states, the reduc-

<sup>5</sup> 7th General Report EC; p. 332.

<sup>6</sup> EC Bulletin 12—1973: pp. 11 f.

<sup>7</sup> DOCS COM (74) 20 and 40 (final); DOC COM (74) 90.

<sup>8</sup> DOC SEC (74) 280 (final).

<sup>9</sup> Question écrite no. 758/73; JO 1974 C 65 (7 June) p. 14.

tion of energy consumption, and a temporary system of price monitoring. The council also failed to act on a commission proposal for a council decision obliging member states to maintain fuel stocks for thermal power stations equivalent to 50 days of consumption. In mid-January, the council agreed on a vague program for the coordination of research efforts among member states in order to avoid duplication.<sup>10</sup>

At the February 11–13 energy conference in Washington, the Community was represented by the presidents of the council and of the commission. At first sight, the conference seemed to have missed the aim that United States Secretary of State Henry Kissinger had in mind. There was no sign of closer cooperation among the importing countries, and instead of showing Atlantic solidarity, the European and the American objectives seemed to conflict. France was particularly anxious to operate independently and refused to accept certain points of the communiqué.<sup>11</sup> The Americans were deeply disappointed, but they might well have overestimated the intentions and possibilities of the budding European special relationship with the oil producers in the Middle East.

As Jean Monnet once said, crises are great federators, and European integration is a response to a variety of challenges. It was perhaps in this spirit that the commission published a memorandum *Towards a New Energy Policy Strategy for the European Community* on May 29, 1974. The document includes long-term and medium-term objectives of this “new strategy,” general recommendations with regard to sectorial policies, and three new proposals for council action. Most important was the articulation of the obvious key problem of any “new” strategy: changes in the production and consumption patterns require massive long-term investment programs; therefore, price relations among different sources of primary energy must be determined politically and must be kept stable in the light of the objectives of the strategy. Only under these conditions are the huge efforts of research and development possible. With regard to the diplomatic dimension of the “new strategy,” the commission referred to an earlier memorandum.

For the year 2000, the commission hoped that nuclear energy would meet half of the total demand, natural or synthetic gas one-third; coal used as primary energy together with oil would meet the rest. The Community should be able to reduce its dependence on imported oil from 98 percent (1973) to 75 percent (1985). Estimated investments in the energy sector from 1975 to 1985 were to be \$300 billion (at 1973 value), which would almost double the social cost of energy production.

Taking its delicate political position into ac-

count, the commission obviously preferred not to spell out clearly the role of the Community apart from “promoting” and “supporting” certain policies. There is only a hint that it might be desirable to establish a new Community institution with some financial autonomy but otherwise subordinated to the commission. It would have been inopportune for the commission to say anything about future energy price policy.

### THE OECD AS RIVAL

In the fall of 1974, it was evident that the European Community was playing a passive role in world energy politics; at the end of the year, there was no indication that the essentially academic and bureaucratic activities in Brussels might develop into political action. Important initiatives were coming from other quarters: from industrial corporations, national governments, and, on the international level, from the OECD, which is the senior partner and the traditional rival of the EC.

The changed relationship between producer countries and the industrialized consumers is perhaps an inevitable result of the petroleum crisis rather than a genuine solution for Europe. Two examples should show with sufficient clarity the shape of “interdependence.” In July, 1974, the Iranian government bought 25.04 percent of the Krupp Hüttenwerke AG (steel), the most important subsidiary of Krupp GmbH. Furthermore, an Iranian representative was admitted to the supervisory boards of both companies. In November, the German petroleum company Veba AG announced an agreement with Saudi Arabia: 12 million tons of crude oil guaranteed for the next three years, in exchange for a Veba commitment to participate in the promotion of a petrochemical industry in Saudi Arabia. These transactions were initiated by state visits that made obvious a kind of collusion between government and industry. The commission in Brussels probably received its information from the press.

As for the development of indigenous resources, the Community has an opportunity to initiate a supranational price policy that might permit a comparison with the CAP. But in the case of the North Sea oil, the issue is apparently not the involvement of the Community, but whether London or Edinburgh assert jurisdiction over the offshore oil reserves: a British replica of the Canadian predicament. Again, one has to remember that a CEP needs a unified market for energy products, i.e., it requires the unreserved application of the Treaty of Rome.

The commission of course recognizes that the waste of energy must be repressed. But—only strong governments can do this, and the commission sees its role as follows:

<sup>10</sup> JO 1974 C 35 and C 7 (28 March and 29 January).

<sup>11</sup> EC Bulletin 2—1974; pp. 22 f.

Consequently, the rôle of the Commission will be to make possible the pooling of information and experience, to encourage and/or organize analytical studies of facts currently being examined, in order to single out, possibly by means of concerted action at Community level, the most appropriate measure(s) for each Member State.<sup>12</sup>

With regard to the management of the actual petroleum crisis—quadrupled crude prices and the threat of another boycott—the European Community is being outflanked by the OECD. On November 15, 1974, the Council of the OECD decided to establish an International Energy Agency whose agenda is familiar: stockpiling, oil sharing in acute crisis situations comparable to the winter of 1973/1974, an information system, a long-term program for the reduction of oil imports, cooperation between consumer and producer countries. Although the German \$2-billion loan to Italy, granted in the autumn of 1974, should be appreciated as an act of European solidarity (enlightened self-interest), it is likely that the OECD and not the EC will create institutions and funds to handle the balance of payments problems that threaten to upset the economies of the weaker European countries. ■

<sup>12</sup> *Community Programme Concerning the Rational Use of Energy*, p. 46.

## ITALY IN TROUBLE

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of the trade balance deficit, Italy may very well risk becoming permanently indebted, and thus insolvent.

According to Guido Carli, governor of the Bank of Italy, the entire Western world is heading toward permanent indebtedness.

With the present level of the price of oil, all the oil-importing countries of the world will become heavily indebted. This is the big problem and nobody has the solution.<sup>12</sup>

Indeed, how long can countries like Japan (with an estimated oil deficit of \$18 billion), Great Britain (with \$12 billion), France (with \$12 billion), and Holland (with \$8.5 billion) survive?

As for Italy, Carli has tried to convince the Italian people—politicians, workers and businessmen—that “they cannot go on forever having commodities and services made available to them in excess of what they make available to the rest of the world.”<sup>13</sup> The Italian government must fight inflation through a

<sup>12</sup> “Guido Carli’s Ideas for Solving the Oil Crisis,” *Business Week*, October 12, 1974, pp. 40–42.

<sup>13</sup> *Ibid.*

<sup>14</sup> Marco Sassano, “Conformati i piani eversivi,” *Avanti*, September 28 and 29, 1974; Sandra Bonsanti, “Tutte le piste portano al SID,” *Epoca*, July 20, 1974; “Il Caso Miceli,” *L’Europeo*, November, 1974.

<sup>15</sup> Sandra Bonsanti, “Il Marcuse di Almirante,” *Epoca*, June 15, 1974, pp. 32–33.

policy of deflation. In practical terms, Carli’s theories imply that Italy needs, above all, a solid and stable government.

## ITALY ABSURD

Besides her financial and inflationary problems, Italy has been shaken lately by a wave of terrorism. According to political experts and sociologists, terrorism in Italy is part of a political conspiracy by right-wing extremists to provoke chaos and compel the armed forces to restore law and order through an authoritarian government. What is known as *Golpismo* (conspiracy for a coup d’état) has been stimulated by the successes of extreme right-wing movements in Greece and Chile. According to the reports of the SID (Service of Investigation and Defense), the neo-fascists planned to carry out a coup d’état in Italy with the connivance of the military.

Giulio Andreotti, the Italian defense minister, has led an investigation. From January, 1970, to August, 1974, at least three plans to overthrow the Italian government were prepared:

1. In December, 1970, the Julio Valerio Borghese movement planned to overthrow the government with the help of the military.
2. In January, 1974, a detailed plan was set up by the neo-fascist movements to seize the presidential palace (Quirinale), the Parliament, the ministers, the radio and television centers and the other centers of news media and information.
3. In August 1974, the *Rosa Dei Venti* (Compass-Card) conspiracy was ready to strike. This was a political and military conspiracy to overthrow the democratic system and set up a military junta. The conspiracy involved more than 75 generals, politicians and law enforcement agents, all belonging to neo-fascist movements.<sup>14</sup>

Besides these national conspiratorial plans, the *Golpisti* have taken credit for the massacres of Piazza Fontana and the Questura palace in Milan; the Brescia massacre; and the bombing of the train *Italicus*.

According to Italian experts, the champion of this neo-fascist violence is Julius Evola. Famous under Mussolini’s regime for his racial theories, Evola lives in Rome. In his very recent book, *Ricognizioni, Uomini e Problemi* (*Ascertainment, Men and Problems*), Evola has stressed that the final goal of the fascist ideology is a “revolution from the top.” The immediate objective of such a revolution is “the restoration of spiritual values that modern isms—Liberalism, Capitalism and Communism—have destroyed. The time is favorable. The revolution cannot but be violent.”<sup>15</sup>

According to other interpretations, however, Italian neo-fascist terrorism is a component of a Europe-wide conspiracy whose center is in Germany. In August, 1972, the International Congress of Extra-parliamentary Right was held in Monaco (Bavaria).



It was organized by Bernhard C. Wintzek and Peter Dehoust, directors of the magazines *Mut* and *Nation Europe*. The Congress was sponsored by the Nazi NPD (German National Democratic party) of Von Tadden. The Italian neo-fascist movements were widely represented. The *Ordine Nuovo* (New Order), *Avanguardia Nazionale* (National Vanguard), *OLP* (Organization Popular Fight), *Anno Zero* (Zero Year) and *Rosa Dei Venti* (Compass-Card) attended the congress.

In Italy, in the last five years or so, there has been a kidnapping every three days, with a total of 122 kidnappings in 1974. The amount paid in ransom or for the release of hostages has been more than \$25 million. Paradoxically, the resignation of Rumor's government postponed the approval of a project of law against terrorism. The project, prepared by Minister of Justice Mario Zagari, provided for the organization of a special task force (*Ispettorato per la lotta contro il terrorismo*) to act under the direct supervision of the minister of justice.

President Giovanni Leone's visit to Washington in September, 1974, was undoubtedly one of the most significant Italian visits since Antonio de Gasperi's visit in January, 1947. Leone discussed Italy's problems with President Gerald Ford. The visit was concluded with a joint communiqué in which both countries stressed their desire to work for peace, international stability and security, and emphasized the area of the Mediterranean, with particular attention to the Middle East. Both Presidents recognized Italy's vital role in the area, and the fact that Italy's stability enhances peace in the Mediterranean. Thus, careful attention was given to Italy's political and economic crisis. President Ford pledged the full support of his administration to "help Italy in restoring her economic equilibrium."<sup>16</sup>

According to Mauro Calamandrei, the correspondent to *L'Espresso*, a supersecret committee had been set up by United States Secretary of State Henry Kissinger before President Leone's visit. The scope of the committee was to study Italy's serious political and economic developments. The committee agreed that the Italian crisis was basically economic and that with massive economic help political adventures could be prevented. The report emphasized that the United States should give Italy economic and monetary assistance. As for the political consequences of the crisis, the committee reported that the economic crisis could fuel a government of the extreme right. This could result from a coalition of conservative Catholics, Neo-Fascists, Monarchists and Liberals with the support of the Church. It was also possible that an extremist coup d'état could bring the

military to power supported by the Neo-Fascists and Monarchists. It was possible that the center-left coalition could be restored with decisive outside support from the Communist party. This third alternative, though most effective, was rejected by the committee as unfeasible because of its international consequences. The committee concluded that the best solution to Italy's political and economic problems lay in restoring the center-left formula and working to overcome the economic crisis.<sup>17</sup>

By the end of November, 1974, after almost two months of government crisis, Aldo Moro formed Italy's 37th government. Moro's Cabinet is a bipartisan coalition of Christian Democrats and Republicans, which will be supported in Parliament by the Socialists and the Social Democrats. The fact that the center-left coalition could not be restored indicates that the four partners still have serious differences. Certainly, the new government cannot immediately change the endemic socioeconomic situation. Change will take years of constant, constructive and responsible action. Any process of economic deflation must be worked out carefully to avoid overburdening the Italian taxpayer. Italy's debts cost each Italian citizen over \$400 annually. If taxes are any heavier, there will be unrest and chaos. In that event, the electorate may shift to the left peacefully and within the democratic system.

The consequences of such a shift for the stability of the Western world are unpredictable. The Western alliance needs Italy because of her strategic position in the Mediterranean. It is almost axiomatic to affirm that peace in the Mediterranean passes through Rome. The Western world knows that it is not the salvation of Italy but the preservation of stability in the Western hemisphere that is at stake. ■

## SPAIN

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Others discern a resemblance to late German monarchies<sup>22</sup> or, surprisingly enough, propound a solution more or less based on the concentration of powers in the hands of the King.<sup>23</sup>

Whatever the form of future Spanish political institutions, there is little doubt that Spain's new rulers will face serious problems.

To the economic difficulties already mentioned one should add the presence of regional and/or national minorities—Basque and Catalan, above all, to mention only those with a strong regional and/or national conscience. This regional loyalty has always been viewed with the greatest apprehension by the regime. Talking about regional autonomies and peripheral nationalisms to members of the establishment has

<sup>16</sup> Vittorio Zucconi, "Decalogo dei rapporti tra Italia e Stati Uniti," *La Stampa*, September 28, 1974.

<sup>17</sup> Mauro Calamandrei, "Rapporto Spastici, Sezione Italia," *L'Espresso*, September 15, 1974, p. 13.

<sup>22</sup> Fernandez Carbajal, *op. cit.*

<sup>23</sup> M. Herrero de Miñón, "El principio monárquico," Madrid, 1971.

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## FRANCE ON THE EBB TIDE

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an immediate reorientation of the economy away from its concentration on the production of more and more consumable and disposable products to the satisfaction of the country's basic needs with the greatest possible saving of resources. At the heart of such a reorganization would be the contraction of the automobile business to a fraction of its present size, ending its role as prime mover of the economy. Finally it would mean recognizing that the much vaunted economic growth (pursued by the French as ardently as any) was a disaster course.

So far, however, there is little evidence that any significant portion of the French population is ready for such a move. The Left will be particularly suspicious of any moves in this direction taken by a government of the Right. Not only are the workers convinced that they have been exploited for generations, but they believe in their industrial society, they depend on it for their existence, and enjoy its products. Even the "majority" will be recalcitrant. The Gaullists will find it hard to resist the opportunity for political revenge; and the conservatives of the old provincial France will refuse to accept any responsibility for the failure of the modern industrial economy of the urban centers they instinctively distrust.

Thanks to a comprehensive social security system, the real French showdown may be postponed for some time, but, sooner or later, some segment of the population will find its situation intolerable and challenge the government's authority. That challenge will have to be met, not with administrative skill but with political flair and courage.

While the country's economic prospects darkened with the weather in late November, Paris was suddenly shocked by a front page editorial in *Le Monde* denouncing the irresponsible lack of leadership in the government. Clearly aimed at the President himself, this attack seemed to stem—in part at least—from an undenied report that Giscard frequently absented himself for the night or weekend, leaving his address in a sealed envelope. Although it had been suspected that the President had a "private life," his discretion had been such that the rumor had never reached the press. Now, however, his bizarre behavior suggested that he did not grasp the gravity of his responsibilities or of the country's situation. Angry comment came from numerous political leaders, including several Gaullist party chiefs.

As this article goes to press in late December, word comes that the Prime Minister (the same Jacques Chirac who led the Gaullist defection to Giscard last spring) has staged a coup in the Gaullist party's central committee, dismissing the elected secretary

and taking his place in an "acting" capacity. At this time and distance, it is difficult to estimate the significance of such a move. But it is impossible not to speculate that President Giscard has decided to settle accounts with his rebellious barons and seize direct control of the "majority" in preparation for some impending confrontation. Whether he intends to head off the all but inevitable wave of strikes and demonstrations by massive concessions to the workers, or try to hold the line against them, he will need far more solid support in the Assembly and the country than he now commands. The tide is running out. ■

## SWEDEN TODAY

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The Social Democratic party, which received only 43.1 percent of the vote in September, 1973, and fell to 40.5 percent in voter preference by January, 1974, subsequently began to recover support as its minority government gained bourgeois cooperation in implementing more traditional party programs and policies. Social Democratic voter support stabilized at 44 percent at the time of Haga and remained near that level through the autumn. Palme's tactics in gaining Liberal party support have become identified in the public mind with Sweden's economic gains in 1974 and, therefore, contributed to the revived Social Democratic popularity. General prosperity and renewed party popularity, however, have resulted in at least temporary silence on the part of the Social Democrats—especially LO and young, radical party activists—regarding their prior efforts to make sweeping changes in Sweden's bourgeois society.

The Center party has been perceived by Swedish voters as adrift since the 1973 election, generally declining in popularity throughout 1974 with some stabilization toward the end of the year. The Center party's hold on the voters appears to be as transcendental as the nostalgia it often evoked.

In contrast, the Conservative party's Bohman is the most popular of the major party leaders within his rank and file, but by the end of 1974 his party had not gained much support beyond the 15 percent it had in January of that year. The Conservatives are as insistent on new elections as the Liberals are resistant. They refuse to compromise in any way with Social Democratic programs. They hope that another election would restore the bourgeois electoral alliance. Only within a bourgeois coalition with a Riksdag majority could the Conservatives have any influence. Thus they have persistently attacked the Haga Agreement and have charged the Liberals with seeking a merger with the Social Democrats. Such a formal merger, however, is highly unlikely, given the Socialists' commitment to such antibourgeois goals as socio-

economic egalitarianism and popular participation in industrial decision making.

The present electoral deadlock has necessitated a degree of cooperation and compromise between Social Democrats and Liberals that serves the interests of both parties and the nation. This tactical compromise, however, is not an example of the spirit of compromise and moderation that characterized Swedish politics in the past. The re-introduction of ideology into Swedish politics by the Social Democrats leaves small hope for an enduring resolution of differences. For the Swedish electorate, the essential political questions concern unemployment, inflation, taxes and pensions. For the Social Democrats, dealing with such problems is a short-term expedient on the road to the transformation of working life and society itself. Under Palme, the Social Democratic party seems genuinely committed to a Marxist reconstruction of Swedish society through an enlargement of the government sector of the economy that approaches nationalization.<sup>13</sup>

The Social Democratic party program and Palme have made it clear that the "New Industrial Policy," announced before the 1973 election, will be vigorously pursued at the earliest opportunity. That opportunity will arise in 1976, when there is no possibility of electoral deadlock and less need for compromise. Without an SMD/PV two-party system, the tripartite bourgeois bloc with its entrenched party bureaucracies cannot easily unite as a clear alternative to the Social Democrats. The combination of proportional representation and ideological politics—both justified in the name of such goals as equality and democracy—will have the paradoxical effect of preventing political compromise, social harmony and, eventually, government stability. ■

<sup>13</sup> The most recent Social Democratic program equates Western capitalism with Soviet communism as faulty ideologies and systems. It is not communism, per se, which is condemned, but the Soviet system, which is labeled state capitalism. The capitalist system is attacked as exploitative, and imperialism is considered the natural outgrowth of capitalism. The Marxist concepts of "surplus value" derived from "exploitation of the working class" are prominent in the program, together with praise of Leninism, collective production, and collective ownership, especially in the "third world."

## SPAIN

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always been compared to showing a red flag to a bull.

<sup>24</sup> See J. Linz, "Early State Building and Late Peripheral Nationalisms against the State: the Case of Spain," in S. M. Eisenstadt and Stein Rokkan, eds., *Building States and Nations* (Beverly Hills: Sage Publications, 1973).

<sup>25</sup> See the brilliant essay by Professor J. A. Gonzalez Casanova in the 3d part of the Spanish edition of Hauriou's *Droit Constitutionnel et Institutions Politiques*, Madrid, 1971.

Repressed, but not suppressed, by sheer force for years, Spanish peripheral regionalisms represent a problem that Francoism will never be able to solve. Like it or not, there are good reasons to believe that Basque, Catalan and Galician autonomists are not going to be satisfied to see Spanish television increasing the number of hours dedicated to Galician bagpipe folklore, or playing Basque or Catalan soap operas.

Actually, only underground democratic parties have shown a readiness and a willingness to find a legal and constitutional solution to this problem, which not only has been a hindrance in the making of the "unfinished" Spanish nation, but could also threaten the foundations of the Spanish state itself.<sup>24</sup>

Its solution like the solution of so many of Spain's problems, depends on whether democracy succeeds in implanting itself in a stable, lasting way.<sup>25</sup> The underground opposition should have the key. ■

## WEST GERMANY

(Continued from page 126)

on an energy strategy, Middle East oil-producing countries were beginning to recycle their petrodollars into German industry (Iran into Krupp; Kuwait into Daimler-Benz). Some newspapers expressed fears that the Arabs would take over entire industries and called for controls on foreign investments, but the German minister of economic affairs assured the nation that the Arab intent was to invest only in individual firms. One newspaper stated, not so illogically, that "as long as the Arabs invest money in our economy they will hardly turn off our oil."<sup>3</sup>

Faced by the triple threat of inflation, unemployment, and an energy crisis, Chancellor Schmidt changed course in late 1974. He was worried that too strong an anti-inflation program might trigger increasing unemployment, which would erode support for the SPD among its most loyal clientele—the workers. Thus, he dropped the income surcharge and the tax on individual investment, and pumped \$360 million primarily into the construction industry. When that proved insufficient, he injected an additional \$700 million into public investments and into a fund to provide bonuses for employers who hired the unemployed and travel allowances to the unemployed seeking jobs in another community. In addition, he encouraged private industry to make new investments by granting it a tax credit of 7.5 percent. At the same time, the German Federal Bank was ready to increase the money supply by 8 percent during 1975. These measures, packaged under a "Program of Expansion with due regard for stability," will boost the

<sup>3</sup> *Westdeutsche Allgemeine Zeitung*, December 3, 1974.



## WEST GERMANY

*(Continued from page 137)*

government deficit to an estimated \$20 billion in 1975, but are designed to have a favorable effect on the sluggish economy and to reduce unemployment by 300,000.

West Germany's financial and economic problems are serious enough, yet minor when compared to those of most other nations. After all, the FRG remains financially the strongest state in West Europe, with its sound currency; its huge monetary reserves, and a favorable trade-and-payments balance. Nevertheless, Schmidt knows full well that unless the stalking recession recedes everywhere, no country will be spared. In launching his anti-recession program he hopes that the United States and other industrial nations will adopt a similar strategy to produce greater economic stability. ■

## BRITAIN TOMORROW

*(Continued from page 130)*

The wave of public outrage at the Birmingham bombings led to several unpardonable acts of violence against Irishmen living in Britain (as much as five percent of the United Kingdom population is of recent Irish origin) and to a heated debate in the House of Commons in which a motion calling for the restoration of the death penalty for terrorism was rejected by 359 to 217 votes.<sup>3</sup> The public revulsion caused by the bombings was undoubtedly a factor in the IRA's decision to declare a Christmas truce of 11 days on December 20, 1974, but although the truce was extended for two weeks when the British government released a number of those interned in Northern Ireland, it was not expected to develop into a more lasting peace, because the British government would not consent to a total withdrawal of troops from Ulster in the absence of a political settlement.

If a solution to the Irish problem seemed impossible, the other problems faced by the Labour government were only slightly more tractable. Although the Labour government did fulfill its pledge to repeal the Industrial Relations Act, it was unable to press on with much of its proposed legislation because of the economic crisis and because of its lack of an overall majority in the House of Commons. It was obvious that the Labour government would have to call a new election to obtain a working majority if it were to govern effectively, and it was equally obvious that the trade unions would not consent to a statutory incomes policy. Therefore Prime Minister Wilson prompted the Trades Union Congress (the

<sup>3</sup> It should be noted, however, that the 217 votes in favor were more than had originally opposed abolition of capital punishment in 1969.

British equivalent of the AFL-CIO, but with formal links to the Labour party) to prepare what became known as the "Social Contract." In essence, this document laid down guidelines for collective wage bargaining, emphasizing that negotiations should (for the present at least) aim only to maintain real incomes rather than advance them substantially, should take into account the general economic situation and the objectives of government policy, and should aim to produce agreements which would last for at least a year.

Although in the short period since its introduction the "Social Contract" has been more honored in breach than in observance (since it was issued in June, 1974, more than two-thirds of all major pay claims have exceeded its provisions), it provided Prime Minister Wilson with a justification for calling the second general election of the year, to be held on October 10—just seven months after he had formed his minority government. In many respects, the election campaign had a subdued and formalistic atmosphere, since few new issues emerged and the major question was whether or not the Labour government should be given a mandate to govern for the next five years. The electorate turned out in smaller numbers than in February, but the result was to give the Labour party an overall majority of three seats, as a result of a slight drop in electoral support for the Conservatives and the Liberals.

This grudging popular mandate will probably moderate the leftward swing that the Labour party took in the early 1970's, since the support of the political center will still be necessary to ensure majorities for the Labour government's legislation. It is extremely unlikely that Wilson will risk another premature election to improve his tiny majority, and it is probable that only measures which can command support from most parts of the political spectrum have any chance of success in curing Britain's current malaise. Unfortunately, it is difficult to see how inflation can be controlled without a dramatic change in popular attitudes and far-reaching reforms of Britain's social and economic structure.

It has been said of the British that they are incapable of admitting defeat, which is why in the end they always win. But there can be no doubt that Britain faces the most serious challenge in her recent history to her survival as a liberal democracy. ■

## BOOK REVIEWS

*(Continued from page 131)*

AN HISTORICAL ESSAY ON MODERN SPAIN.

By RICHARD HERR. (Berkeley: University of California Press, 1974. 308 pages and index, \$3.65 paper.) O.E.S. ■



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# THE MONTH IN REVIEW

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*A CURRENT HISTORY Chronology covering the most important events of January, 1975, to provide a day-by-day summary of world affairs.*

## INTERNATIONAL

### Cyprus Crisis

- Jan. 14—Talks resume between Greek Cypriote and Turkish Cypriote representatives over the political division of Cyprus. The talks broke off 6 weeks ago.
- Jan. 18—Angered by the British decision to release 10,000 Turkish refugees, Greek Cypriote protestors burn a wing of the U.S. embassy and vandalize British consular offices and British Council offices.
- Jan. 28—Turkish Defense Minister Ilhami Sancar announces an immediate troop withdrawal of 1,000 men from Cyprus. The U.S. Congress's deadline for cutting off military aid to Turkey unless there is progress toward a Cyprus settlement is February 4.

### European Economic Community (EEC)

- Jan. 2—Duties between the 6 original members of the European Common Market and the 3 new members, Britain, Denmark and Ireland, are reduced a further 20 percent; previous reductions took place in April, 1973, and January, 1974; 2 more 20 percent reductions are scheduled for January, 1976, and July, 1977, to reduce tariffs to zero.

### Middle East Crisis

- Jan. 2—The Lebanese Defense Ministry reports that Israeli forces staged raids into southern Lebanon last night; 5 Lebanese are reported killed.
- Jan. 3—Israeli military spokesmen report a clash of Israeli and Arab forces in the northeast frontier section where Israel, Lebanon and Syria meet; the fracas broke a U.N.-sponsored truce that had been arranged to allow Lebanese olive farmers to harvest their crops.
- Jan. 4—Jordanian Premier and Foreign Minister Zaid al-Rifai and PLO representative Farouk Kaddoumi, meeting in Cairo, agree to hold regular monthly meetings to discuss divisive issues.
- Jan. 9—India becomes the first non-Arab government to grant full diplomatic status to the PLO.
- The U.S. State Department announces a contract to sell \$750 million worth of F-5 jet fighter planes to Saudi Arabia and to train pilots for the 60 planes.
- Jan. 12—At the end of a 5-day conference in Cairo, the Shah of Iran and Egyptian President Anwar el-Sadat issue a communiqué calling for speedy resumption of the Geneva conference on the Middle East; they agree that the PLO must speak for the "Palestinian nation" at the conference.
- Jan. 14—Saudi Arabia's King Faisal arrives in Damascus, Syria, to begin a tour of Syria, Jordan and Egypt; he confirms Saudi Arabia's financial support for the 3 countries in their struggle with Israel.
- Jan. 15—U.S. Secretary of State Henry Kissinger and Israeli Foreign Minister Yigal Allon open discussions in Washington, D.C., on how to proceed in the next round of Israeli-Egyptian negotiations.
- The PLO press agency WAFA reports from Beirut

that Israeli troops and naval vessels have attacked a southern Lebanese village.

- Jan. 16—U.S. President Gerald Ford and Israeli Foreign Minister Yigal Allon discuss the Middle East situation in Washington, D.C.
- Jan. 19—After talks with Jordanian King Hussein, Saudi Arabia's King Faisal arrives in Aswan, Egypt, for conferences with Egyptian President Sadat.
- Jan. 21—3 Arab terrorists at the Orly, France, airport, release 10 hostages, held for 17 hours; they fly from France, then land and are arrested in Baghdad, Iraq.

### Oil Crisis

- Jan. 15—Finance ministers of a 20-nation interim committee of the International Monetary Fund agree on a \$6-million "oil facility" within the IMF to help nations pay their 1975 oil bills.
- Jan. 26—OPEC members end 3 days of meetings in Algiers; they postpone any decision on negotiations with oil-consuming countries until after a meeting of their Chiefs of State in about 5 weeks.

### Organization of American States (OAS)

- Jan. 23—With the U.S. abstaining, 20 OAS member countries vote to condemn the U.S. for "discriminatory and coercive" elements in the 1975 U.S. Trade Act that would keep Venezuela and Ecuador from enjoying preferential treatment from the U.S. because they are members of the Organization of Petroleum Exporting Countries.
- Jan. 27—Host nation Argentina, citing the new United States Trade Act as a reason, notifies the other 23 OAS members that she is indefinitely postponing an OAS foreign ministers' conference scheduled to take place in Buenos Aires in March.

### War in Indochina

- Jan. 1—Communist-led Cambodian forces begin an assault on Phnom Penh.
- Jan. 7—After a week of heavy fighting, South Vietnamese forces are overrun by North Vietnamese troops who capture Phuoc Binh, the provincial capital of Phuoc Long Province, 75 miles north of Saigon. This is the 1st provincial capital captured by the North Vietnamese since 1972, when they took Quang Tri.
- Jan. 13—The U.S. State Department sends a note to the 8 countries (and to U.N. Secretary General Kurt Waldheim) that are guarantors of the 1973 Vietnam accords. The note charges North Vietnam with flagrant violation of the cease-fire agreements.
- Jan. 23—The *New York Times* reports that 2 barges from South Vietnam carrying ammunition ran the blockade at Neak Luong on the Mekong River and have reached Phnom Penh, isolated since the Communist attack began 3 weeks ago.

### ARGENTINA

- Jan. 3—In a presidential decree, President Isabel Martinez de Perón gives Social Welfare Minister José López Rega

control over her administrative assistants and her appointments calendar. Rega is now the most powerful man in the government.

### AUSTRALIA

Jan. 6—Prime Minister Gough Whitlam arrives in France for talks with French President Valéry Giscard d'Estaing. Giscard recently agreed to Australia's demands that all French nuclear testing be conducted underground and not in the South Pacific.

### BANGLADESH

Jan. 22—The Aswami League party votes unanimously to give emergency powers to Prime Minister Sheik Mujibur Rahman in order to curtail black marketeering, smuggling and hoarding. The League holds all but 7 seats in Parliament.

Jan. 25—Parliament votes to amend the constitution, giving Mujibur Rahman all executive powers and permitting him to declare a one-party state. He becomes President without a direct election.

Jan. 26—President Rahman reappoints his former Cabinet; Home Minister Mansur Ali becomes Prime Minister.

### BRAZIL

Jan. 4—The government lifts its censorship of the country's leading daily paper, *O Estado de Sao*; the censorship was imposed in August, 1972.

### CAMBODIA

(See *Intl. War in Indochina; U.S., Foreign Policy*)

### CANADA

Jan. 23—The government proposes to stop allowing Canadian companies to deduct costs of advertising in United States magazines or in broadcasts directed at the Canadian market. If Parliament approves the measure, the Canadian edition of *Time* magazine will be affected, because of its dependence on Canadian advertising.

Jan. 29—Energy Minister Donald MacDonald announces a 40-cent-a-barrel increase in the cost of oil exported to the United States.

### CENTRAL AFRICAN REPUBLIC

Jan. 2—President General Jean Bédél Bokassa names Elizabeth Domitien Premier. She becomes Africa's 1st woman Premier.

### CHILE

Jan. 11—The government releases Clodomiro Almeyda, foreign minister in the late Salvador Allende's government, Jorge Tapia, former minister of justice, and 3 minor officials. The 5 officials have been in prison without trial since the September, 1973, coup that toppled the Allende government. They go into exile in Rumania.

### CHINA

(See also *Japan*)

Jan. 17—The Central Committee of the Chinese Communist party announces that at its secret meeting January 8–10 it approved a new constitution and proposals for new government ministers. Deputy Premier Teng Hsiao-ping was appointed to the Standing Committee of the Politburo and named Deputy Chairman of the party.

Jan. 18—It is announced that the National People's Congress has met for the first time in 10 years and has approved the proposals of the Central Committee. Chou

En-lai is reelected Premier and Yeh Chien-ying is named Defense Minister. Chairman Mao Tse-tung does not attend the Congress.

Jan. 19—The new constitution is published; it abolishes the vacant post of Head of State. Chang Chun-chiao is named 1 of 12 Deputy Premiers. No positions are assigned to the leaders of the 1974 "radical faction."

Jan. 20—Hsinhua, the Chinese press agency, makes public a speech delivered by Premier Chou En-lai to the National People's Congress on January 13, saying war between the U.S. and the Soviet Union is inevitable.

Jan. 28—Cook Industries, Inc., a U.S. grain trading company, announces that the Chinese government has canceled its contract to purchase 601,000 tons of wheat scheduled for shipment between February and September, 1975.

Jan. 29—The Foreign Ministry reports that Deputy Premier Teng Hsiao-ping has been named army chief of staff.

Chang Chun-chiao, one of 12 Deputy Premiers, is appointed chief political commissar of the armed forces. Chang is considered to rank 2d to Teng.

### DENMARK

Jan. 9—Parliamentary elections are held at the request of Premier Poul Hartling.

Jan. 10—Election returns show Hartling's Liberal party with 42 seats, a gain of 20, and the Social Democrats with 53 seats, a gain of 7. 90 seats are needed for a majority in the 179-seat Parliament.

Jan. 14—Premier Poul Hartling fails to persuade Social Democratic leader and former Premier Anker Jorgensen to join him in a coalition government.

Jan. 28—Parliament votes to ask Hartling's 3-week-old government to resign. Premier Hartling tells Parliament he will submit his resignation January 29.

### EGYPT

(See also *Intl. Middle East*)

Jan. 4—Lieutenant General Mohammed Aly Fahmy, formerly commander of antiaircraft defense, is appointed chief of staff of the armed forces.

Jan. 29—In Paris, President Sadat announces that France has agreed to sell Egypt an undisclosed number of supersonic Mirage fighter planes.

### ETHIOPIA

Jan. 1—The provisional military council nationalizes all banks, mortgage and insurance companies.

### FRANCE

(See also *Australia; Egypt*)

Jan. 9—The government revalues its gold reserves from the "official" intergovernmental price of \$42.22 per ounce to \$170.40 per ounce.

Jan. 18—A law is published legalizing abortions during the 1st 10 weeks of pregnancy.

Jan. 20—The Statistical Department of the Labor Ministry reports the unemployment rate for December at 3.27 percent, the highest rate since World War II.

Jan. 28—The government announces a 10-year plan aimed at cutting fuel imports by 15 to 20 percent. A reduction is also planned in the proportion of oil imported from any single country to 15 percent of total French consumption.

Jan. 31—In a Cabinet reshuffle, Yvon Bourges replaces Jacques Soufflet as Defense Minister and Aymar Achille-

Fould replaces Pierre Lelong as State Secretary for Posts, Telephones and Telegraphs.

### GERMANY, DEMOCRATIC REPUBLIC OF (East)

Jan. 20—Foreign Minister Otto Winzer resigns because of failing health. Oskar Fischer is named to succeed Winzer.

### GERMANY, THE FEDERAL REPUBLIC OF (West)

Jan. 9—The Federal Labor Office reports the unemployment rate for December at 4.2 percent, the highest rate for any December since 1959.  
Jan. 29—The federal statistical office reports a record \$22-billion trade surplus in 1974.

### GREECE

(See also *Intl, Cyprus Crisis*)

Jan. 1—Former Brigadier General Dimitrios Ioannides is imprisoned on charges of high treason. He is the 1st member of the deposed military tribunal to go to jail.

### INDIA

Jan. 3—Railway Minister Lalit Narayan Mishra dies as a result of injuries sustained yesterday when a bomb exploded in his home.  
Jan. 15—India and Pakistan resume shipping trade, according to an agreement signed in New Delhi. Trade was halted 10 years ago over the issue of Kashmir.  
Jan. 17—The Petroleum Ministry announces the discovery of a 3d oil well in the offshore area of Bombay known as Bombay High.

### IRAN

(See *Intl, Middle East; Iraq*)

### IRAQ

(See also *Intl, Middle East*)

Jan. 18—Iraq reveals plans for a \$500-million dam to be built on the Tigris River. The dam is planned to hold 10 billion tons of water that will irrigate 1 million acres and generate 600,000 kilowatts of electricity.  
Jan. 19—In Istanbul, Iran and Iraq complete 4 days of talks on the Shattal Arab waterway and on the Kurds in northern Iraq.

### ISRAEL

(See also *Intl, Middle East Crisis*)

Jan. 20—Foreign Minister Yigal Allon reveals that he has asked U.S. Secretary of State Henry Kissinger and U.S. Defense Secretary James Schlesinger to triple U.S. military and economic aid to Israel in 1975. He requests \$2 billion, including \$1.5 billion for military assistance.  
Jan. 29—Information Minister Major General Aharon Yariv resigns, charging Premier Yitzhak Rabin with incompetence.

### JAPAN

Jan. 3—The Hitachi Shipbuilding Company announces it intends to sell a chemical fertilizer plant valued at between \$30 million and \$50 million to North Vietnam.  
Jan. 11—Premier Takeo Miki's proposed \$100-million budget is approved by the Cabinet. It is 25 percent larger than the previous budget.  
Jan. 15—Foreign Minister Kiichi Miyazawa leaves for Moscow for an official visit with Soviet Foreign Minister Andrei A. Gromyko. The former secretary general of

the Liberal-Democratic party, Shigeru Hori, leaves simultaneously on an official visit to China.

Jan. 24—In an address to Parliament, Premier Takeo Miki takes a stronger pro-Arab stand by calling for Israeli withdrawal from occupied Arab territory and Israeli recognition of the rights of the Palestinians.

### JORDAN

(See *Intl, Middle East*)

### KOREA, REPUBLIC OF (South)

Jan. 22—President Park Chung Hee announces that he will call a national referendum on the constitution and will resign if the constitution is rejected. No date is set for the referendum.

### KUWAIT

Jan. 9—Petroleum Minister Abdel Rahman Salem E. al-Atiqi announces that Kuwait will help finance a pipeline that will connect Arab and Soviet oil distribution lines in Europe.  
Jan. 14—Under Secretary of the Finance and Oil Ministry Mahmoud al-Adasani reports a daily oil-production reduction of 500,000 barrels.

### LEBANON

(See *Intl, Middle East*)

### MALAGASY

Jan. 25—General Gabriel Ramanantsoa dissolves the Cabinet; the action follows reports of an abortive December 31 coup.

### PAKISTAN

(See *India*)

### PHILIPPINES, THE

Jan. 10—Indonesian Foreign Minister Adam Malik concludes official talks with President Marcos on ways to put down the Muslim uprising on Mindanao Island.  
Jan. 18—A military investigation committee reports the torture of martial-law detainees and recommends punitive action.  
Jan. 22—President Ferdinand E. Marcos agrees to establish a parliamentary form of government if the voters reject his martial-law administration in the referendum scheduled for February 27.

### PORTUGAL

Jan. 3—After a 1-day visit in Moscow, Foreign Minister Mario Soares leaves for Bucharest, Rumania.  
Jan. 17—The government begins debate on a controversial trade union bill that calls for a single labor confederation. The Communists now control most of the federations.  
Jan. 18—Roman Catholic bishops inform the government that they are opposed to the plan to unite labor unions in one confederation.  
Jan. 25—The Social Democratic Center party, holding its first Congress in Oporto, is attacked by leftist extremists and is forced to cancel its closing sessions. Delegates to the convention are rescued by commando units.

### Portuguese Territories

#### ANGOLA

Jan. 5—In Mombasa, Kenya, 3 Angolan guerrilla movements reach agreement on a political settlement with Portugal for Angolan independence; this is the first agreement among the 3 groups in 14 years.

- Jan. 16—Portugal agrees to the guerrilla groups' demands and signs an agreement to grant Angola independence on November 11.
- Jan. 31—A tripartite transitional government takes over power from Portugal to rule until Angolan independence becomes official on November 11, 1975.

### **RHODESIA**

(See also *South Africa*)

- Jan. 12—Black nationalist leaders refuse to attend a constitutional conference unless the conference is called by Great Britain and chaired by British Foreign Minister James Callaghan. They also demand the release of all political prisoners, the retraction of the death sentence imposed on political prisoners, and a general amnesty for those charged with political crimes.

### **SAUDI ARABIA**

(See also *Intl, Middle East*)

- Jan. 24—The 4 American companies with shares in the Arabian American Oil Company (Aramco) agree on terms for the complete take-over of their interests by Saudi Arabia.

### **SOUTH AFRICA**

- Jan. 4—British Foreign Secretary James Callaghan meets in South Africa with Prime Minister John Vorster to discuss the current Rhodesian constitutional controversy.
- Jan. 6—The entire black labor force at the country's largest gold mine goes on strike to protest a government ruling that 60 percent of all labor force earnings must be deposited in a Lesotho bank and paid to the workers only when their contracts expire.

### **SYRIA**

(See *Intl, Middle East*)

### **THAILAND**

- Jan. 26—Elections are held for 269 seats in the House of Representatives; the House will elect a Premier.
- Jan. 28—Democratic party leader Seni Pramoj attempts to form a coalition of the centrist parties; the Democrats won the most seats—72—in the January 26 election; 135 seats are needed for a majority.

### **TURKEY**

(See also *Intl, Cyprus Crisis; U.S., Foreign Policy*)

- Jan. 5—Premier Sadi Irmak announces a joint agreement with Libya that will channel nearly 3 million tons of Libyan oil into Turkey. In return, Libya will employ a large number of Turkish workers for Libyan development.

### **U.S.S.R.**

(See also *Japan; Kuwait; U.S., Foreign Policy*)

- Jan. 16—Australian Prime Minister Gough Whitlam ends an official visit in Moscow without seeing Soviet Communist party General Secretary Leonid I. Brezhnev.
- Jan. 29—The government cancels its order for 3.7 million bushels of United States wheat, some of which is already at sea.

### **UNITED KINGDOM**

#### **Great Britain**

(See also *Intl, Cyprus Crisis; U.S., Foreign Policy*)

- Jan. 3—The government agrees to guarantee loans of between \$10 million and \$20 million for Fodens, Ltd., a manufacturer of trucks and other commercial vehicles.

Fodens is the 3d British company within a week in serious financial trouble: on December 30 Aston Martin, Lagonda, Ltd., announced it was going out of business and on December 31, the Bank of England agreed to guarantee \$650 million of Burmah Oil Company's foreign currency borrowings.

- Jan. 15—The government announces plans to nationalize the British aircraft industry and to form a state-owned corporation to control the business and assets of 3 major aircraft producers—British Aircraft Corporation, Hawker Siddeley Aviation, Ltd., and Hawker Siddeley Dynamics, Ltd.

A trade deficit of \$12.2 billion for 1974 is reported by the government; this is the largest deficit in the history of the country.

- Jan. 20—Secretary of State for the Environment Anthony Crosland reports to the House of Commons that the government has abandoned its plan for a tunnel under the English Channel, linking Britain and France.
- Jan. 23—Prime Minister Harold Wilson calls for a referendum on Britain's relations with the European Economic Community. In an unprecedented move, Wilson will make recommendations on how to vote shortly before the vote, scheduled to be held before the end of June.

### **Northern Ireland**

- Jan. 2—The Provisional wing of the Irish Republican Army announces that it will extend the cease-fire for 2 weeks.
- Jan. 4—Sinn Fein, the political wing of the IRA, demands direct talks with the British government.
- Jan. 7—British Secretary of State Merlyn Rees refuses to negotiate with the representatives of the outlawed IRA.
- Jan. 14—In an attempt to extend the cease-fire due to end January 15, the British government releases 25 political prisoners.
- Jan. 16—The IRA calls off the 25-day cease-fire, claiming that the British have not responded to its peace proposals. J. B. O'Hagan, a top leader of the IRA, is arrested in Ireland.

### **UNITED STATES**

#### **Administration**

- Jan. 1—Secretary of Housing and Urban Development James T. Lynn is named by President Gerald Ford to be director of the Office of Management and Budget, succeeding Roy Ash.
- Jan. 8—Elmer T. Klassen, U.S. Postal Service Postmaster General, announces his retirement, effective Feb. 15; the Postal Service Board of Governors names Benjamin F. Bailar, Deputy Postmaster General, to fill Klassen's post. President Ford nominates Betty S. Murphy as the 1st woman member of the National Labor Relations Board.
- Jan. 13—In a nationally televised address, President Ford proposes a \$16-billion tax cut that would include \$12 billion in individual income tax rebates of 12 percent (to \$1,000) of the tax payments on 1974 income. He calls for increased taxes on natural gas and oil.
- The White House releases further details of President Ford's economic program; White House Press Secretary Ron Nessen states that the plan calls for an additional \$16.5-billion tax cut in reduced individual income taxes for 1975, heavily favoring those in the lowest tax brackets and including cash payments from the government for those in the lowest income brackets.

- Jan. 14—President Ford names William T. Coleman, Jr., as Secretary of Transportation and University of Chicago President Edward H. Levi as Attorney General. Cole-



man will be President Ford's first black Cabinet member.  
Jan. 15—President Ford submits an "energy independence" plan to Congress that calls for an additional excise tax on imported crude oil; a \$2-per-barrel tax on domestic crude oil; a tax of 37 cents per 1,000 cubic feet of natural gas; and an amendment to the Clean Air Act to block any tightening of auto emission standards for model years 1977-1981.

In a gloomy State of the Union Message delivered to a joint session of Congress, President Gerald Ford says that "the State of the Union is not good." He urges the Congress to enact speedily his plans for stimulating the economy and for energy independence, and requests a free hand in conducting foreign policy.

Jan. 21—At a news conference, President Ford says he would veto a mandatory gas-rationing bill because gas rationing "is inequitable."

Jan. 23—President Ford signs a proclamation raising the excise tax on imported crude oil by \$1 per barrel on February 1, with additional \$1-per-barrel raises on March 1 and April 1.

Jan. 30—The amnesty deadline for the draft evaders and deserters in the era of the Vietnam war is extended until March 1.

Jan. 31—In a 99-page ruling in Washington, D.C., U.S. district court Judge Charles R. Richey states that all the documents and tapes of Richard Nixon's 5 years in the White House except purely personal items are the property of the government; he also rules that after he leaves office a President may no longer claim executive privilege. The U.S. court of appeals temporarily suspends Judge Richey's ruling.

## Civil Rights

(See also *U.S., Supreme Court*)

Jan. 2—Federal district court Judge Arthur Garrity, Jr., refuses to grant the city of Boston's motion in federal district court in Boston to close South Boston High School permanently.

The District of Columbia inaugurates its first elected city government since 1871. Mayor Walter E. Washington and 13 city councilmen are installed.

Jan. 7—250 Wisconsin National Guards arrive in Shawano, Wisconsin, where militant Indians (the Menominee Warrior Society) have been holding a mansion owned by the Alexian Brothers Religious Order since January 1.

Jan. 8—Judge Garrity drops contempt-of-court penalties against 3 of the 5 members of the Boston School Committee; South Boston High School reopens without incident.

Jan. 16—The U.S. district court for the District of Columbia awards \$12 million in damages to the American Civil Liberties Union for false arrest and infringement of rights; the ACLU represented 1,200 anti-war demonstrators arrested on the steps of the Capitol in 1971.

Jan. 17—In Lincoln, Nebraska, federal district Judge Warren K. Urbom rules that American Indians are subject to the legislative powers of the United States and do not have jurisdiction on their own reservations. The case involves the Sioux Indians.

## Economy

Jan. 3—The U.S. Labor Department reports that unemployment in the month of December reached 7.1 percent of the labor force; 6.5 million workers are unemployed, the greatest number since 1961.

Jan. 10—The Ford Motor Company announces plans to

close for one week 10 of its 14 auto assembly plants, 7 of its 9 truck plants and 5 of its 43 manufacturing plants, beginning January 14.

Jan. 15—The Labor Department reports that the wholesale price index declined by .5 of 1 percent in December, the first drop since October, 1974.

Jan. 16—The Commerce Department reports a decline of the GNP in the last 3 months of 1974 at the fastest 3-month rate of decline in 16 years; there was a 9.1-percent decline for 3 months and a 2.2-percent drop for all of 1974.

Jan. 17—The Commerce Department reports a 35-percent decline in new housing starts in 1974, a drop to 1.3 million units from the 1972 high of 2.4 million units.

Jan. 20—The Federal Reserve Board announces a reduction in the amount of money banks must keep on hand to back up deposits.

Jan. 21—The Labor Department reports that the Consumer Price Index rose 12.2 percent in 1974.

Jan. 27—Volume on the New York Stock Exchange reaches 32.1 million shares, the largest 1-day volume in its history.

The U.S. Department of Commerce reports a \$3.07-billion trade deficit for 1974, the 2d largest deficit in 100 years.

Jan. 30—The Chase Manhattan Bank cuts its prime lending rate to 9 percent; this is the lowest prime rate charged by a major bank since March, 1974.

## Foreign Policy

(See also *China*)

Jan. 2—In an interview made public today, U.S. Secretary of State Henry A. Kissinger says he will not rule out the use of force against oil-producing nations "where there is some actual strangulation of the industrialized world."

Jan. 12—In an interview published today in *Time* magazine, President Gerald Ford supports Kissinger's view of the possible use of military force in the Middle East.

Jan. 14—Kissinger announces that the U.S. and the U.S.S.R. will nullify their 1972 trade agreement because of restrictions imposed by the U.S. Congress in the Trade Reform Act. The act made the granting of non-discriminatory trade status with the Soviet Union contingent on liberalized Jewish emigration from the U.S.S.R.

State Department spokesman Robert Anderson cites a 1973 statement which said that international law permits one party to breach an accord if the other party has already done so. In a virtual acknowledgement that the U.S. has resumed reconnaissance flights over North Vietnam, Defense Secretary James Schlesinger says: "The blatant failure of North Vietnam to live up to its commitments created a set of circumstances different from those at the time of the signing of the Paris peace treaty."

Jan. 22—Senator John Sparkman (D., Ala.) makes public a copy of a Defense Department letter of January 15 to the Senate Foreign Relations Committee, in which the Defense Department notified Congress that it intends to sell \$229 million in arms to Turkey to modernize Turkey's tank forces.

Jan. 28—President Ford asks Congress to appropriate additional military aid for fiscal 1975 in the amount of \$300 million for South Vietnam and \$222 million for Cambodia.

## Investigations

Jan. 5—President Gerald Ford names Vice President Nelson Rockefeller to head an 8-man committee to investigate allegations of domestic spying by the C.I.A.

Jan. 15—In an appearance before a Senate appropriations intelligence subcommittee, CIA Director William Colby admits that CIA agents infiltrated anti-war and dissident political groups inside the U.S.; this counterintelligence program led to the accumulation of files on 10,000 American citizens.

Jan. 16—Former CIA Director Richard Helms (now U.S. ambassador to Iran), tells Congress that the CIA became involved in domestic spying on presidential authority because of "the sudden and quite dramatic upsurge of extreme radicalism in this country . . ." in the late 1950's.

Jan. 28—Senator Frank Church (D., Id.) is named to head a special Senate committee, established yesterday by a Senate vote of 82 to 4, to investigate the operations of the Central Intelligence Agency and the Federal Bureau of Investigation; the panel will also review government intelligence and law enforcement agencies and the work of the presidential commission headed by Vice President Nelson Rockefeller.

### Labor and Industry

(See also *Economy*)

Jan. 23—The General Board of the AFL-CIO rejects President Ford's economic proposals and submits its counter-proposals.

Jan. 24—The federal court of appeals in Denver overturns the antitrust conviction of the International Business Machines Corporation, which had ordered IBM to pay \$259.5 million in damages to Telex Corporation.

### Legislation

(See also *U.S., Foreign Policy*)

Jan. 1—President Ford signs the privacy act designed to protect citizens from the misuse of federal records.

Jan. 3—The President signs the Trade Reform Act, which includes controversial restrictions on the President's power to grant trade benefits to the U.S.S.R.

The President vetoes a milk price-support bill that would have increased the price of milk some 12 cents a gallon.

Jan. 4—President Ford signs a supplemental appropriation bill that provides \$4.5 billion in expanded federal programs for the unemployed.

Jan. 14—The 94th Congress convenes.

Jan. 22—House Democrats replace 3 senior committee chairmen; Henry S. Reuss (Wisc.) replaces Wright Patman (Tex.) on the Banking and Currency Committee; Thomas S. Foley (Wash.) replaces W. R. Poage (Tex.) on the Agriculture Committee; Melvin Price (Ill.) succeeds F. Edward Hebert (La.) on the Armed Services Committee. Wayne Hays (Ohio) successfully retains the chairmanship of the House Administration Committee.

### Military

Jan. 28—The U.S. army successfully tests a new laser-guided artillery shell whose course can be changed in flight to give a capability of hitting moving targets.

### Political Scandal

Jan. 1—Former Attorney General John N. Mitchell, President Nixon's White House chief of staff, H. R. Halde- man, and Nixon's domestic affairs adviser, John D. Ehrlichman, are convicted of conspiracy, obstruction of justice and perjury in the Watergate cover-up trial; former Assistant Attorney General Robert C. Mardian

is convicted of conspiring to obstruct justice. Kenneth W. Parkinson, a lawyer for the Committee to Re-elect the President, is acquitted.

Jan. 8—Federal district Judge John J. Sirica reduces to the time already served the sentences of John W. Dean 3d, Herbert W. Kalmbach and Jeb Stuart Magruder for their involvement in the Watergate cover-up; this order frees the men from prison immediately.

### Political Terrorism

Jan. 24—A bomb explodes in an annex to historic Fraunces Tavern in lower Manhattan, killing 3 people; at least 45 others are injured in the blast. Puerto Rican nationalists, members of Fuerzas Armadas de Liberación Nacional (FALN), claim responsibility.

Jan. 29—A left-wing organization called the Weather Underground claims responsibility for a bomb explosion inside the guarded State Department building in Washington, D.C. that damages 20 rooms on 3 floors; nearly 6,000 government employees in Washington, D.C., are evacuated from the Interior and Agriculture Departments buildings and the Smithsonian Institution while searches for bombs are made. A bomb is also removed from an Oakland, California, federal building.

### Politics

Jan. 11—Fred R. Harris, a former Democratic Senator from Oklahoma, says he is a candidate for the Democratic presidential nomination in 1976.

### Supreme Court

Jan. 22—The Supreme Court rules 5 to 4 that public school pupils cannot be suspended without notice of the charges against them.

Jan. 27—The U.S. Supreme Court rules 8 to 1 that its January 21 decision that criminal trial juries must reflect female representation in the panels from which they are drawn cannot be used to overturn convictions rendered before the January 21 decision.

### VATICAN

Jan. 10—Pope Paul VI calls for a "true dialogue" between Christianity and Judaism; he reiterates the guidelines recommended by the Commission on Relations with Judaism that the Church reject "every form of anti-Semitism."

Jan. 22—Pope Paul VI orders drastic cutbacks in the Vatican's 1975 budget.

### VENEZUELA

Jan. 21—The government lowers its artificial tax values on oil exports by an average of 84 cents a barrel; at the same time, taxes paid to Venezuela by U.S. and other foreign oil companies rise from 63.5 percent to 70 percent. It is estimated that Venezuela will receive additional revenue of about 38 cents a barrel.

### VIETNAM, REPUBLIC OF (South)

(See *Intl, War in Indochina; U.S., Foreign Policy*)

### YEMEN

Jan. 16—Premier Mohsen al-Aini is relieved of his post by Lieutenant Colonel Ibrahim al-Hamidi, head of the military council.

# Western Europe



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